

Health. Education. Services. Support.





California Children and Families Commission



Message from the Executive Director

On behalf of First 5 California, I am pleased to present our Fiscal Year 2008-2009 Annual Report. This comprehensive summary provides state and county fiscal data and information on the programs First 5 California supports in its mission to serve the state's youngest children and their families.

Since 1998 and the passage of Proposition 10, First 5 California has been providing a variety of programs and services, from educational resources for expectant parents to expanding preschool opportunities throughout the state and funding health insurance for vulnerable children. We value our collaboration with the county commissions and our many other partners in working to ensure that all California's children are healthier and better prepared for school and to succeed in life, including children with disabilities and other special needs.

We are proud of First 5 California's accomplishments this year, as the work has helped countless children grow toward their potential. But our job is far from done. First 5 California is poised to reach new heights as we develop and implement wide-reaching and streamlined approaches to prepare all young children to enter school ready to learn. This is our opportunity to learn from past efforts as we prepare to do even more for our state's children by pooling collective wisdom, lessons learned from success stories, and current research to provide the foundation for programs designed to close the early learning achievement gap.

We have every confidence that we will meet the new challenges that await us and succeed in ensuring that California's youngest children get the future they deserve. This Annual Report highlights the results of these collaborations and describes the positive impact they have had on California children ages 0 to 5.

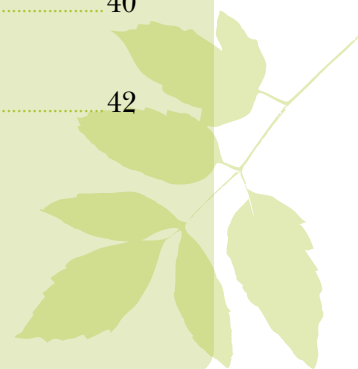
Here's to the future of our children and our state!

Kris Perry, Executive Director

First 5 California

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Chapter 1: First 5 California Overview



HISTORY

Proposition 10, also known as the California Children and Families Act of 1998 (the Act) led to the creation of the First 5 California Children and Families Commission (First 5 California). The key purposes of First 5 California are promoting, supporting, and improving the early development of children from prenatal to five years of age. The Act specifies that these purposes shall be accomplished through the establishment, institution, and coordination of appropriate standards, resources, and integrated and comprehensive programs emphasizing community awareness, education, nurturing, child care, social services, health care, and research.

The Act also authorizes county commissions and sets forth the requirement that each county commission develop a local strategic plan. The Governor, Speaker of the Assembly, and Senate Rules Committee appoint the seven voting Commission members, with the Governor appointing the Chairperson and two other members, and the Speaker and Senate Rules each appointing two members. Exhibit 1 shows the First 5 California Commission members active in Fiscal Year 2008-2009 (FY 08/09).

The Commission hires the First 5 California Executive Director. The current Executive Director is Kris Perry, who has served in this role since July 2005.

¹ Pursuant to California Health and Safety Code section 130140, members shall also include persons responsible for county functions such as: children's services, public health services, behavioral health services, social services, and tobacco and other health substance abuse prevention and treatment services.

Exhibit 1: First 5 California Commission Members FY 08/09

Commission Member	Appointing Power
Hector Ramirez, Chair	Governor
David Kears, Vice Chair	Governor
Maria Minon, M.D.	Governor
Donald Attore	Speaker of the Assembly
Molly Munger	Speaker of the Assembly
Carla Dartis	Senate Rules Committee
Eleni Tsakopoulos-Kounalakis	Senate Rules Committee
Ex Officio Members	
S. Kimberly Belshé	Secretary of the California Health and Human Services Agency
Glen Thomas	California Secretary of Education

FIRST 5 COUNTY COMMISSIONS

Each county commission consists of members appointed by the county board of supervisors. The county commissions include one member of the county's board of supervisors and two members from among county health officers and local government health-related service agencies.¹ The county board of supervisors appoints the remaining members from either the previously mentioned (non-board) organizations or from other county organizations that have valuable early childhood development experience.




VISION, MISSION, AND GOALS


In 2007, First 5 California adopted a new strategic plan. First 5 California's mission, by 2012, is to be recognized as California's unequivocal voice for children ages 0 to 5 to ensure greater equity in their readiness for school. This mission supports the vision that all children in California enter school ready to achieve their greatest potential.

In support of its mission and vision, First 5 California set five strategic goals:

- **Goal 1: Focus on Policy Development**
Implement a comprehensive policy agenda that elevates the needs of children 0 to 5.
- **Goal 2: Invest in Program Development**
Establish and maintain a distinctive set of sustainable health and education programs for children 0 to 5.
- **Goal 3: Broaden Public Awareness**
Build recognition and generate support for the needs of children 0 to 5.
- **Goal 4: Enhance Research and Evaluation**
Assess the value of programs for children 0 to 5.
- **Goal 5: Strengthen Organizational Operations and Systems**
Provide quality and cost-effective services to our partners.



*The key purposes of
First 5 California are promoting,
supporting, and improving
the early development of children
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five years of age.*



FUNDING

Revenue to fund First 5 California and First 5 county commission activities comes from the Proposition 10 excise tax levied on cigarettes and other tobacco products. The State Board of Equalization collects tobacco tax revenue and deposits it into the California Children and Families Trust Fund. Pursuant to the formula set forth in Proposition 10, 20 percent of these funds are allocated and appropriated to First 5 California, and 80 percent to the 58 county commissions. In FY 08/09, First 5 California received \$114 million.

In accordance with Proposition 10, the State Commission funds are allocated and appropriated to the following accounts:

- 6 percent into the Mass Media Communications Account
- 5 percent into the Education Account
- 3 percent into the Child Care Account
- 3 percent into the Research and Development Account
- 2 percent into the Unallocated Account
- 1 percent into the Administration Account

Each county commission receives a portion of the total funds available to all county commissions. A county share is equal to the ratio of births recorded in the county (for the most recent reporting period) in relation to the entire number of births recorded in California (for the same period).

The county commission funds support the activities of the 58 First 5 county commissions. These commissions, in turn, fund local family functioning, child development, child health, and systems of care programs and services.

AUDIT FINDINGS

First 5 California contracted with the California Department of Finance (DOF), Office of State Audits and Evaluations, to perform the FY 08/09 audit of First 5 California financial records. In

November 2009, DOF submitted its final Audit Report on the Children and Families Trust Fund and related funds. The audit report reflects no negative findings.

OVERVIEW OF THIS REPORT

Chapter 2, First 5 California Services, specifies how First 5 California used its FY 08/09 allocation to support First 5 California administration, public education and outreach, and research and evaluation.

Chapter 3, First 5 California Programs, provides information about the following First 5 California programs: School Readiness, Power of Preschool, the Special Needs Project, Comprehensive Approaches to Raising Educational Standards, Health Access, the Migrant and Seasonal Farm Workers Project: Migrant Education Even Start, Low Income Investment Fund Constructing Connections, and the California Smokers' Helpline.

Chapter 4, First 5 County Commission Program Result Areas, provides data on the services provided by county commissions, mapped to four result areas: family functioning, child development, child health, and systems of care.

FISCAL YEAR 2008-2009 HIGHLIGHTS

First 5 California programs fully leverage funding, skills, and systems to deliver high quality services to improve family functioning, early learning, and health for children ages 0 to 5 most in need. First 5 California's Power of Preschool (PoP) program, Comprehensive Approaches to Raising Educational Standards (CARES), and its contributions to the Healthy Families program demonstrate this dynamic.

A recent First 5 California report titled *Factors that Influence the School Readiness of California's Young Children: A Needs Assessment* identifies the gaps that exist between services and need for California's most vulnerable children. The study highlights the lack of quality early learning experiences for children ages 0 to 5 and the increasing need for health care coverage for the same population.



A low percentage of children who are eligible for subsidized early learning programs are actually enrolled:

- 8 percent of children ages 0 to 2 are enrolled
- 37 percent of three-year olds are enrolled
- 65 percent of four-year olds are enrolled

In addition, a 2009 RAND study found that only 13 percent of disadvantaged children are enrolled in quality early learning programs. First 5 California's PoP program provides disadvantaged children with free voluntary, high-quality, part-day preschool to assist them in becoming effective learners. PoP leverages Head Start, State Preschool, General Child Care, and Title I funds and adds quality dimensions related to teacher qualifications and the classroom environment. Thus, PoP builds off the existing system to create an enhanced early learning environment. A FY 08/09 pre- and post-program evaluation of participants using the Desired Results Developmental Profile – Revised (DRDP-R) revealed that the number of children performing at the top level on four domains increased by:

- 737 percent – effective learners
- 561 percent – personally and socially competent
- 358 percent – physical and motor competence
- 589 percent – safe and healthy

Eight of the nine PoP counties provide access to CARES to help teachers further their education so that they can meet PoP's rigorous teacher education requirements. First 5 California's CARES program provides early educators with financial rewards and support so they can attain their educational goals. The integration of these two incentive-based programs, with state and federally funded programs, has created a model program where the whole is greater than the sum of its parts.

In addition to its investments in early education, First 5 California also made significant investments in children's health. *Factors that Influence the School Readiness of California's Young Children: A Needs Assessment* found that 11 percent of children in California were without health insurance in 2005. In 2007, California began experiencing one of the worst recessions since the Great Depression. Because the majority of families receive health insurance through their employer, the number of uninsured children grows with the rate of unemployment. The recession also diminished the level of state funds available to support public insurance programs such as the Healthy Families Program. The Healthy Families Program provides free or low-cost insurance to documented families at or below 200 percent of the federal poverty level.

Recognizing the importance of health insurance on the developing child, the First 5 California Commission partnered with 41 county commissions to provide \$16.75 million to the Managed Risk Medical Insurance Board to support the Healthy Families Program. The funds were used to pay health care premiums through June 2009 for children up to age 5 who were new applicants to the Healthy Families Program. This joint effort allowed the state to continue to enroll 64,592 infants and children in the Healthy Families Program, ensuring them access to much-needed health care services.







Chapter 2: First 5 California Services



Pursuant to the California Children and Families Act of 1998, First 5 California uses its funding allocation to support administration, public education and outreach, research and evaluation, and statewide programs. This chapter provides an overview of the remaining services. Chapter 3 contains an overview of First 5 California-funded programs.

ADMINISTRATION

First 5 California's Administrative Services Division and the Contracts, Procurement, and Information Technology Division provide staff resources to strengthen operations and systems through oversight and coordination of:

- Fiscal management of the California Children and Families Trust Fund
- Tax revenue disbursements to county commissions
- Local agreement and program disbursement management
- Procurement and contract management
- Workforce recruitment and development
- Information technology
- Audits and annual fiscal reports
- Business services

The Administrative Services Division and Contracts, Procurement, and Information Technology Division administer these programs consistent with all applicable state and federal laws, rules, and regulations.

PUBLIC EDUCATION & OUTREACH

In accordance with the California Children and Families Act of 1998, First 5 California devotes 6 percent of its revenue from Proposition 10 funds to public education and outreach campaigns in order to reach California parents, caregivers, and communities with messages related to early childhood development; child care; school readiness and preschool; health services; the prevention of tobacco, alcohol and drug use by pregnant women; and the harmful effects of secondhand smoke.

Throughout FY 08/09, First 5 California continued to raise awareness of early childhood development issues and their impact on children's future success. First 5 California further diversified its multimedia approach during this fiscal year by utilizing online social media outlets such as YouTube, Facebook, My Space, MySpace Latino, and Mi Todobebé. During this period, First 5 California garnered more than 31 million earned media impressions to promote its programs and resources for young children and their families.

Highlights for FY 08/09: With one in three California children overweight or at risk of becoming overweight, First 5 California tackled the issue of childhood obesity by launching a statewide campaign in October 2008 to educate parents about the value of good nutrition and preparing healthy meals at home. Through a partnership with TV personality and popular Latina nutritionist Chef LaLa, First 5 California developed *Yummy for Your Tummy*, a free bilingual mini recipe book filled with nutritious, low-cost recipes. Other outreach strategies included corporate distribution partnerships through more than 450 grocery stores associated with Albertsons and the



Save Mart, S-Mart Foods, Food Maxx, and Lucky group of retailers. The campaign also utilized online social media opportunities to post recipe book information and supporting videos. These diverse strategies produced more than 17.5 million impressions encompassing general market, Latino, African American, and Asian Pacific Islander American (APIA) media outlets, including key placements on KCAL-TV in Los Angeles, National Public Radio, and CNN En Español.

First 5 California's popular and successful traveling Hands-On Health Express exhibit conducted three tours in FY 08/09. The mobile health exhibit partnered with First 5 county commissions to provide valuable parenting resources to families with young children. Express events were promoted in traditional media and on social networking sites. Overall, the exhibit reached approximately 86,000 Californians and generated more than 3.4 million media impressions during this fiscal year.

In the fall of 2008, First 5 California provided additional outreach to African American audiences through gospel radio promotions with KTYM-AM 1460 in Los Angeles, as well as KDYA-AM 1190 in the San Francisco Bay Area and Sacramento markets. These partnerships provided opportunities for First 5 California to reach approximately 300,000 listeners with vital information about its programs and resources,


including the *Kit for New Parents*. The promotions consisted of DJ announcements, *Kit* giveaways, and in-depth interviews with First 5 California Commissioner Carla Dartis on First 5 California programs and resources.

In January 2009, First 5 California launched its new *Kit for New Parents* in the APIA community with Mandarin, Cantonese, Korean, and Vietnamese-language versions. The statewide campaign kicked off with a media briefing in Los Angeles and featured remarks by First 5 California Executive Director Kris Perry and Dr. Ricky Choi, a pediatrician from Asian Health Services in Oakland. The campaign garnered more than 10.4 million earned media impressions. The *Kit* remains a popular resource, with approximately 358,000 being distributed in six languages (English, Spanish, Cantonese, Korean, Mandarin, and Vietnamese) during FY 08/09.

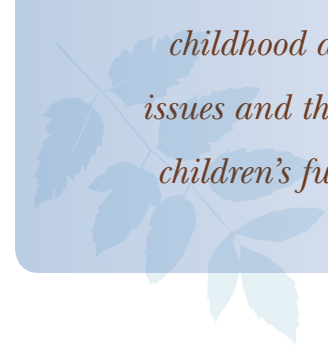
First 5 California launched its most recent Smoking Cessation public awareness campaign from January through April 2009. The campaign raised public awareness about the dangers of smoking and the negative health effects of smoking around children by focusing on the one-year anniversary of SB 7 – the law banning smoking in cars with minors – and providing valuable resources to assist individuals in their efforts to quit smoking. Because smoking rates within communities of color remain disproportionately high, the First 5 California campaign targeted African American, Asian and Pacific Islander American, and Latino communities.

First 5 California's partnership with Sacramento's NBC affiliate KCRA-3 on My58 continued this year with a monthly morning segment called "First 5's Top 5." In each segment, First 5 California Executive Director Kris Perry provided tips on childhood development issues ranging from proper nutrition to kindergarten readiness and the importance of vaccinations.

First 5 California also continued working with Univision affiliates across the state, including Univision Costa Central, to maximize exposure of First 5 California messages in the Latino community. Additionally, First 5 California secured a monthly segment on KMEX Univision 34 in Los



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Angeles, the leading Spanish-language television station in the United States. The morning show segment on “Primera Edición” features First 5 California Communications Director Elisa Bupara addressing childhood development issues that impact the Latino community and offering tips to help parents and caregivers raise healthy children.

First 5 California launched a new advertising campaign to position the agency as an information resource for parents on Health, Education, Services, and Support. Qualitative and quantitative research before the launch found new parents in California are aware of the importance of early childhood development, but many don’t know where to go for help and information. Research also indicated parents are aware of their role in their children’s development and take steps to teach them, but only half the parents surveyed do so on a daily basis.

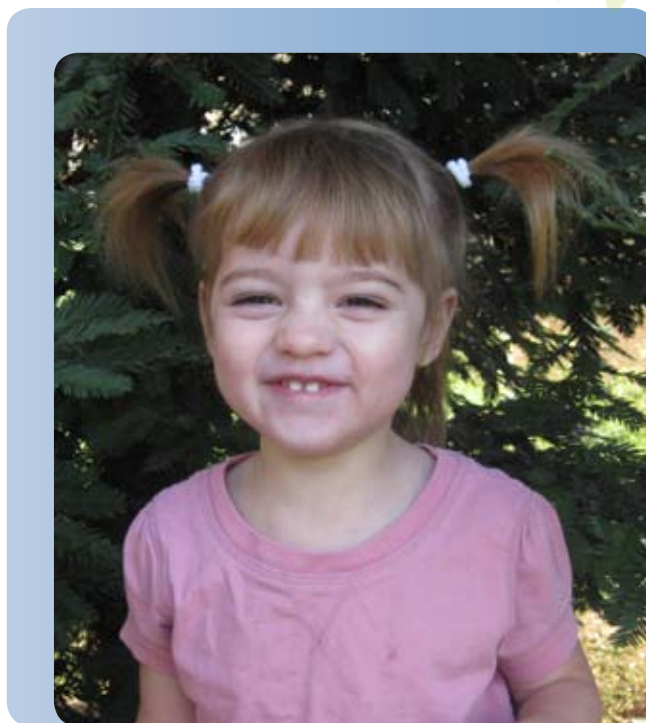
The core message of the campaign focused on building familiarity with First 5 California as a resource for information, driving parents to a customized, online micro Web site (with the same look as the campaign) to learn more.

A key strategy of the campaign was creating a parent-centric online resource that is easily accessible by families with children ages 0 to 5. Another was to ensure there was effective media coverage for all 58 counties by targeting different ethnic groups and hard-to-reach communities via multi-language messaging.

The campaign generated more than 220 million impressions (a total average number of times an ad was seen or heard) over the course of its first four weeks among a target audience of persons aged 18 years and older.

First 5 California radio spots were produced for the general market, as well as for the Latino (including hard-to-reach Oaxacans, Mixtecs, and Zapotecs), Asian-Pacific Islander, and African American markets.

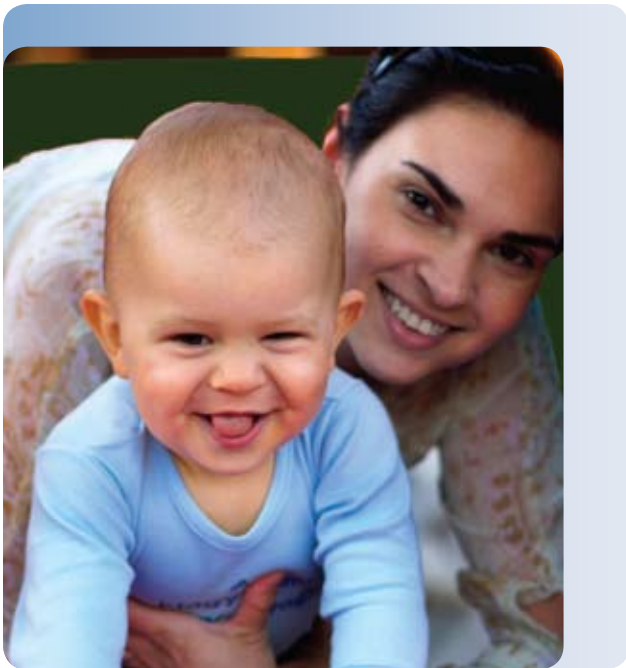
The First 5 California partnership with public television station KCET in Los Angeles continued to prove worthwhile. The shows *A Place of Our Own* and *Los Niños en Su Casa*, sponsored by First 5 California, completed their fifth season of



production in FY 08/09 with 80 new programs. Highlights from the new programs include “Making Thinking Visible,” with members of The Blue Man Group, and “The Importance of Dad in a Child’s Life.”

KCET was awarded the National Childhood Advocacy Award by the National Association for Family Child Care in recognition of the work that *A Place of Our Own* and *Los Niños en Su Casa* have done toward building awareness of early education issues. The series’ Web sites at www.aplaceofourown.org and www.losninosensucasa.org also maintain strong continued traffic with more than 100,000 visits each month.

First 5 California also sponsored a new PBS show through a partnership with KCET and the Jim Henson Company. *Sid the Science Kid* premiered September 2008 on PBS stations and at www.pbskids.org/sid. Young viewers are exposed to early science in an age-appropriate and engaging way to foster a lifetime of learning and exploration. The series garnered two Emmy nominations for the shows that aired during FY 08/09, including one for Outstanding Children’s Animated Program.



RESEARCH & EVALUATION

The California Children and Families Act directs First 5 California to conduct:

Independent research, including the evaluation of any relevant programs, to identify the best standards and practices for optimal early childhood development, and establishing and monitoring demonstration projects.

In the past year, First 5 California published four reports:

- *Factors that Influence the School Readiness of California's Young Children: A Need's Assessment*
- *Highlights of the Statewide Impact of CARES*
- *Utilization in Children's Health Initiatives in California: Results from 2005, 2006, and 2007 and*
- *Power of Preschool Program Evaluation Report.*

Factors that Influence the School Readiness of California's Young Children: A Need's Assessment is a comprehensive five-part study that addresses the circumstances and conditions that affect the degree to which California's young children at around 60 months of age are ready to start and succeed in kindergarten. It also identifies gaps that

exist among different populations in relation to those circumstances and conditions. Drawing from research, practice, and available California data, this study identifies and discusses issues, needs, indicators, and services in the three domains of interest to First 5 California. In reality, however, these domains are intertwined, and the study deals with them both separately and as they interrelate.

The study highlights the following findings:

- California is home to the largest population of low-income children ages 0 to 5 in the nation, with nearly 1.4 million children living in poverty.
- Only 8 percent of children ages zero to two, 37 percent of three-year olds, and 65 percent of four-year olds who are eligible for subsidized early education programs are actually enrolled in those programs.
- 11 percent of California's children are without health insurance .
- 37 percent of California children two to five did not see a dentist in 2008 and over 50 percent of California kindergartners experience tooth decay.
- 12 percent of California's children experience risk factors that include any combination of the following: single parent household, poverty, parents who do not speak English well, parents with less than a high school education, and parents with no paid employment.

As First 5 California develops future programs to impact family functioning, child development, and child health, we will use this information to target populations and develop measureable program goals.

Highlights of the Statewide Impact of CARES provides information about the key areas affected by this vital workforce development program. Comprehensive Approaches to Raising Educational Standards (CARES) is a financial incentive program designed to promote and reward educational attainment and professional development among early educators. The program has a direct positive impact on early education in

California from individual educators to institutions of higher education. Key factors include:

- Financial support for early educators – nearly 90,000 stipends were issued to early educators between 2000 and 2007.
- A dramatic increase in the number of permit holders statewide – the number of permit applications processed increased from 4,065 before the launch of CARES to 7,104 in the first year of CARES statewide implementation.
- Enhanced support system – 91 percent of CARES counties provide specialized advising and/or educational planning services.
- Educational attainment – Participants who completed a degree while in the program between 2003 and 2007 include:
 - 1,092 who completed an Associate degree
 - 1,316 who completed a Baccalaureate degree
 - 190 who completed a Master's degree.

Utilization in Children's Health Initiatives in California: Results from 2005, 2006, and 2007 presents utilization and quality measures for the Healthy Kids program. Healthy Kids provides medical, dental, and, in some counties, vision coverage to over 82,000 children ages 0 to 5 in 26 of California's most populous counties. Since 2005, participating Healthy Kids insurance plans have reported Health Employer Data and Information Set (HEDIS) measures for seven indicators: Well-Child, Well-Adolescent, Primary Care Provider, Dental, Well-Baby, Emergency Department Visits, and Combination 2 Immunizations. These data demonstrate that:

- Healthy Kids provides much needed health care coverage to children throughout California and ensures that vulnerable children receive primary and preventive care.
- Children enrolled in Healthy Kids receive preventive, primary, and dental care at rates similar to the Medi-Cal program, and have been improving each year.
- Healthy Kids members use health care less frequently than Medi-Cal counterparts.
- Most Healthy Kids programs significantly improve access and utilization over time.

The *Power of Preschool Program Evaluation Report* presents evaluation results for the state's nine PoP demonstration counties. The First 5 California Power of Preschool (PoP) demonstration program offers high-quality, free, voluntary, part-day preschool for 3- and 4-year olds. The program assists children in becoming personally, socially, and physically competent, effective learners who are ready to transition into kindergarten. This report highlights the impact that high-quality preschool has on young children and the benefits of the unique characteristics of the PoP program. Key findings include:

- 66 percent of PoP participants with a known ethnicity were Hispanic/Latino.
- 45 percent were English learners.
- PoP counties had high-quality learning environments based upon their Early Childhood Environment Rating Scale – Revised (ECERS-R) scores ranging from 5.0 to 6.1 with a mean score of 5.5 across all nine PoP counties (scores of five or greater are in the good to excellent range).
- Teacher quality was high – First 5 California used a unique reimbursement system based on the education level of the teachers:
 - Teachers were well qualified – 25 percent of PoP teachers had Bachelor degrees or higher.
 - There was a commitment to professional development – About 87 percent of PoP teachers were at either the “quality” or “advancing” level.
- PoP participants' school readiness levels were demonstrably higher than many other preschool programs (based upon self-reported Desired Results Developmental Profile-Revised (DRDP-R) scores).
- There was substantial attainment of national quality benchmarks and compliance with PoP program quality standards.
- There were increased parenting skills and parental involvement.

Chapter 3: First 5 California Programs



SCHOOL READINESS

The School Readiness (SR) Program strives to improve the ability of families, schools, and communities to prepare children to enter school ready to learn. While counties design their programs to fit their specific local needs, they must provide services in each of the following four focus areas:

- Family Functioning
- Child Development
- Child Health
- Systems of Care

SR programs target children ages 0 to 5 and their families in schools with an Academic Performance Index (API) score in the lowest three deciles statewide. These schools include children who speak diverse languages and are from varying cultures. In FY 08/09, First 5 California funded 185 SR programs across 57 counties (see Appendix A).

SR programs provided services to 264,413 individual California residents in FY 08/09. Children received 403,993 services: 118,381 child health services; 126,514 child development services; and 159,098 family functioning services. While children and adults from all ethnic groups received services, for those reporting an ethnicity, Latinos were by far the largest recipient group (see Exhibit 2).

Exhibit 3 shows that for those reporting a primary language, SR services were provided to children who spoke Spanish 58 percent of the time, English 38 percent of the time, and a variety of Asian languages slightly more than 2 percent of the time.

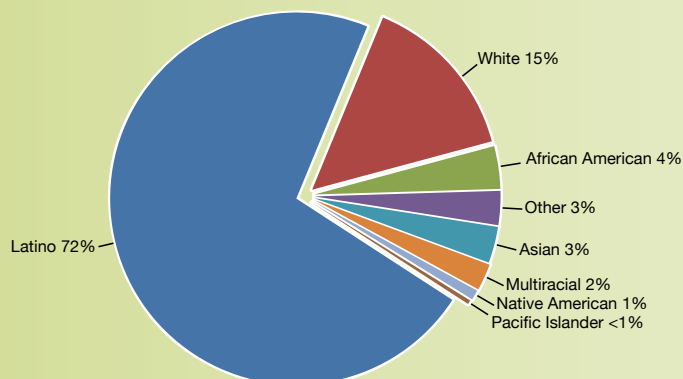
County commissions must contribute at least one dollar for every dollar they receive from First 5 California toward SR programs. In FY 08/09, First 5 California disbursed approximately \$44.1 million to the 57 participating county commissions.

Schools and educational institutions, community-based agencies, government agencies, private institutions, and First 5 county commissions

all provided services to children and adult care-givers in order to improve school readiness.

The First 5 California SR program allows county commissions to design programs to meet the unique needs of their communities. Each county commission evaluates its programs to determine whether they are making an impact on the population the county serves. For example, the

Exhibit 2: School Readiness - Ethnicity of Children Served by School Readiness Programs in FY 08/09



The percentages in this chart may not add to 100 due to rounding.

Children & Families Commission of Orange County's and First 5 Santa Clara County's SR evaluation results are presented below to demonstrate this impact.

Orange County uses School Readiness funds to support a preschool program in 13 school districts. Twelve of the 13 school districts used pre- and post-program Desired Results Developmental Profile – Revised (DRDP-R) to evaluate program impact. This tool evaluates enrollees' progress in four domains: Effective Learners; Personally and Socially Competent; Physical and Motor Competence; and Safe and Healthy. Children progress through five DRDP-R developmental levels, with "building" and "integrating" being the highest levels. After participation in the program, the percentage of children at the "building" or "integrating" levels increased from:

- 3 to 55 percent for Effective Learners
- 5 to 59 percent for Personally and Socially Competent
- 30 to 87 percent for Physical and Motor Skills
- 15 to 75 percent for Safe and Healthy

After 6 months of integrated school readiness services, data from 260 Santa Clara County families showed significant improvements in multiple indicators of child well being. The percentage of children:

- With recent dental check-ups increased from 42 to 72 percent
- The percentage of children attending preschool increased from 31 to 43 percent
- The number of children regularly reading books with their parents increased from 63 to 70 percent

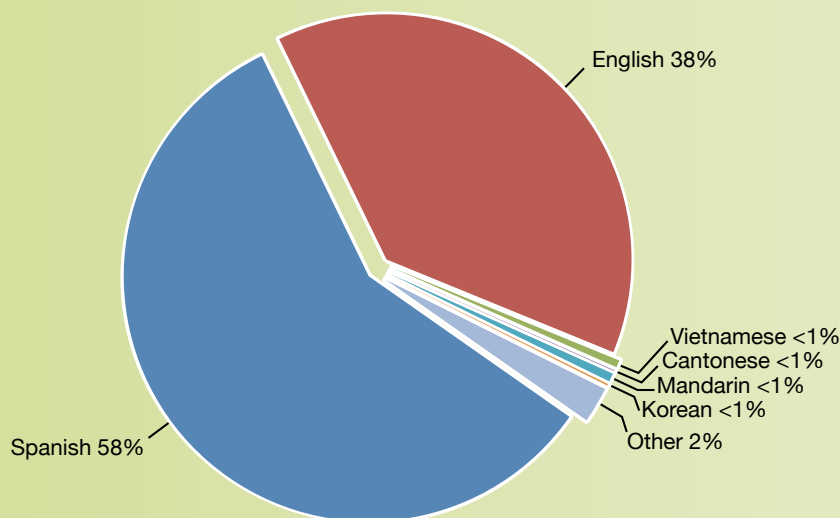
Parents reported:

- An 11 percent reduction in social isolation, with more feeling connected to the community
- A 15 percent increase in knowing where to get services

Significantly fewer parents reported concerns about their children's development:

- 10 percent decrease in communication concerns

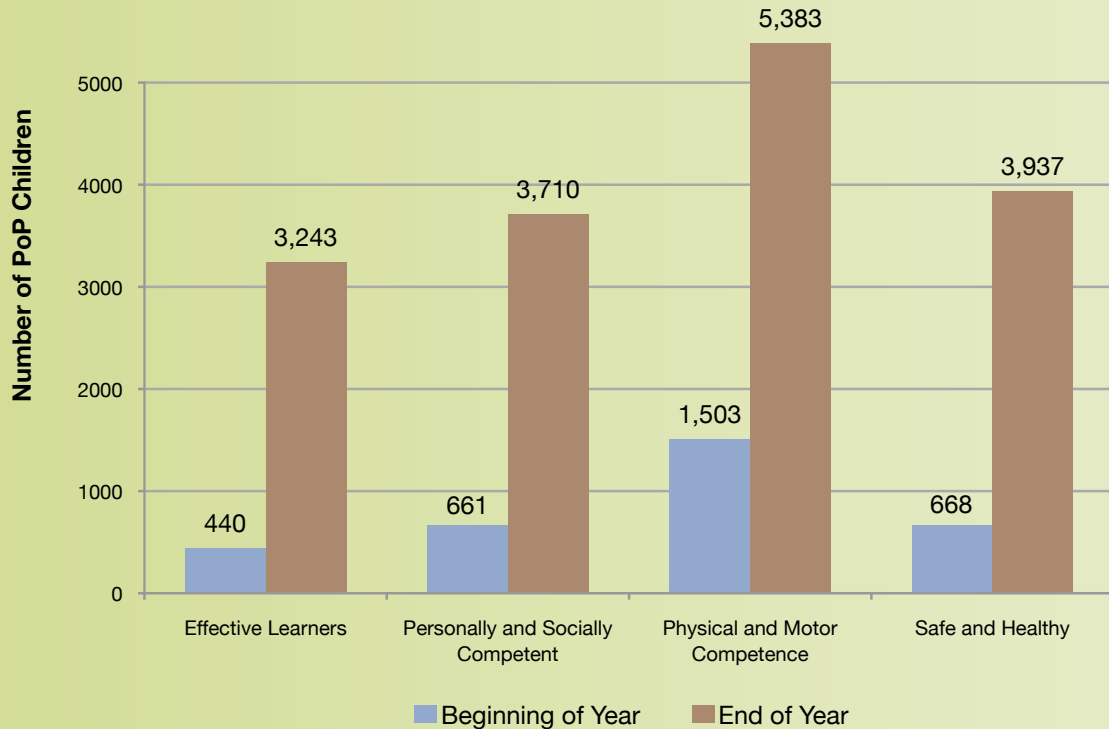
Exhibit 3: School Readiness - Primary Language of Children Served by School Readiness Programs in FY 08/09



The percentages in this chart may not add to 100 due to rounding.

Exhibit 4:

Power of Preschool - Integrating Level Change in FY 08/09



- 7 percent decrease in cognition concerns
- 12 percent decrease in learning concerns
- 7 percent decrease in peer relations concerns
- 9 percent decrease in behavior concerns
- 12 percent decrease in emotional well-being concerns

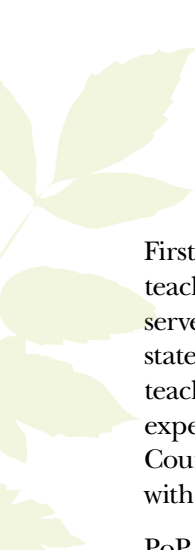
Developmental screenings showed significant decreases in the percentage of children at risk:

- Communication risks decreased from 36 to 22 percent
- Fine motor risks decreased from 31 to 12 percent
- Social-emotional risks decreased from 48 to 34 percent

POWER OF PRESCHOOL

Power of Preschool (PoP) provides free, voluntary, high-quality, part-day preschool to assist children in becoming effective learners who are personally, socially, and physically competent so they are ready to transition into kindergarten. PoP demonstration projects provide the blueprint for making high-quality preschool more accessible to all children and their families.

With a focus on developing preschool in underserved and high-priority communities, the PoP program seeks to make quality preschool available to three- and four-year old children in participating counties, including children with special needs and English language learners. First 5 California funds nine demonstration projects in nine counties (see Appendix A). In FY 08/09, PoP demonstration projects served 19,144 children: 62 percent Latino and 53 percent English language learners.



First 5 California reimburses counties based on teacher qualifications and the number of children served. This program is unique in that it is the only state-funded program that reimburses based on teacher qualifications. In FY 08/09, First 5 California expended \$8 million to fund the PoP program. Counties may combine First 5 California funding with other state, federal, county, or private funding.

PoP provides children with:

- Health and developmental screenings, assessments, and follow-ups
- School readiness curricula
- Nutritious meals and snacks
- Transition support for those entering pre-school or kindergarten
- Family partnerships and support services

Data from all PoP sites in FY 08/09 indicate that:

- Preschools are high quality: classroom environmental assessments rate an average of 5.4 out of a possible score of 7.
- Teachers are well qualified: 54 percent are Master Teachers with Bachelor's or higher degrees in early childhood education.

PoP requires participating counties to use the Desired Results Developmental Profile-Revised (DRDP-R), a comprehensive assessment tool, to evaluate enrollees' progress. Children progress through five DRDP-R developmental levels, from lowest (Not Yet at First Level) to highest (Integrating). In FY 08/09, participating PoP counties submitted DRDP-R data for 43 percent of all PoP enrollees (8,200 of 19,144). As depicted in Exhibit 4 (page 15), pre- and post-program data show the number of children at the Integrating level increased by:

- 737 percent for Effective Learners
- 561 percent for Personally and Socially Competent
- 358 percent for Physical and Motor Competence
- 589 percent for Safe and Healthy

SPECIAL NEEDS PROJECT

The Special Needs Project (SNP) identifies children with disabilities and other special needs at an early age and provides those identified with the appropriate support so they can be successful when entering kindergarten. SNP sites use and disseminate best practices for serving these children and their families to ensure these young children are included in appropriate child care and community settings.

SNP targets children and families from First 5 SR program sites in 10 counties (see Appendix A). SR sites are in communities with schools scoring in the lowest three API deciles statewide. Because children in this at-risk population often receive screenings later than other children, the SNP seeks to identify children with special needs in these communities as early as possible. Since FY 05/06, the SNP demonstration sites screened nearly 15,000 children:

- 33 percent spoke mostly English
- 67 percent were English learners; 63 percent spoke primarily Spanish
- 69 percent were Latino
- 15 percent were White
- 2 percent were Asian
- 2 percent were African-American
- 2 percent were Native-American
- 10 percent were other and unknown ethnicities

County commissions contributed at least one dollar for every First 5 California dollar they received for the SNP. First 5 California expended \$2.4 million to support the SNP in FY 08/09. SNP funding supports an array of services including screening children to identify those with special needs or at-risk of developing special needs, referrals of children with special needs or risk factors to services as appropriate, and coordinating services.

The SNP sites work with partner agencies to create and implement a comprehensive screening, assessment, and referral system. Examples of

partner agencies include early care and education agencies, community-based organizations, public health departments, regional centers, early intervention agencies and providers, school districts and county offices of education, special education departments, and medical providers.


The SNP sites use a comprehensive protocol consisting of a health screening and three validated screening instruments:

- Ages and Stages Questionnaire (ASQ)
- ASQ: Social-Emotional
- Parenting Stress Index – Short Form

Child Study Teams at each site interpret and analyze the children's and families' scores on the screening tools to determine if they have developmental delays or risk factors for developmental delays. SNP staff use this information to generate appropriate referrals and follow-up, including re-screening at regular intervals.

As part of the evaluation of the SNP, First 5 California conducted a Family Survey of participants. The results of the survey were overwhelmingly positive:

- 91 percent believe early screening is important for their child.
- 75 percent report receiving information about child development from the program.
- 99 percent feel that program staff treat their children well.
- 99 percent report that program staff understand their family's language and respect their family's culture.
- 91 percent feel the program meets their family's unique needs.
- 98 percent report that the program hours meet the family's needs.
- 94 percent feel that transportation is convenient, especially in rural areas.



Because children in this at-risk population often receive screenings later than other children, the Special Needs Project seeks to identify children with special needs in these communities as early as possible.

COMPREHENSIVE APPROACHES TO RAISING EDUCATIONAL STANDARDS

Comprehensive Approaches to Raising Educational Standards (CARES) encourages education and stability in the Early Care and Education (ECE) workforce through incentives and supports designed to increase the education level of family child care providers and center-based teaching staff and directors.

The program targets ECE staff including home-based, licensed, and license-exempt Family Child Care (FCC) providers, FCC assistants, and center-based staff in public and private child care programs in participating counties. CARES gives priority to participants from SR communities, as well as areas with a low supply of licensed child care providers or facilities.

First 5 California targets these populations because research demonstrates that a high percentage of children under age five are in non-parental care while parents are at work. Research further suggests that teachers with specialized training in child development or those with Bachelor's degrees provide young children with the best preparation to succeed.

Local programs provide training and support to caregivers along a continuum of care, which includes the following five tracks: Family, Friend

and Neighbor (FFN); Entry; Permit; Degree; and Professional. Participants can advance in tracks based on licensing, level of education, and previous CARES progress. Exhibit 5 illustrates the distribution of CARES participants by track in FY 08/09. A key component of the CARES program is the provision of stipends and incentives to CARES participants to pursue education and training along this continuum.

In FY 08/09, 44 counties participated in the CARES program providing services to 8,777 caregivers seeking to further their child development education (see Appendix A). Program participants improved their education, with the largest number of these individuals from the Permit Track (4,487). County commissions contributed two or four dollars for every First 5 California dollar they received for the CARES program. First 5 California expended \$6.8 million to support CARES in FY 08/09.

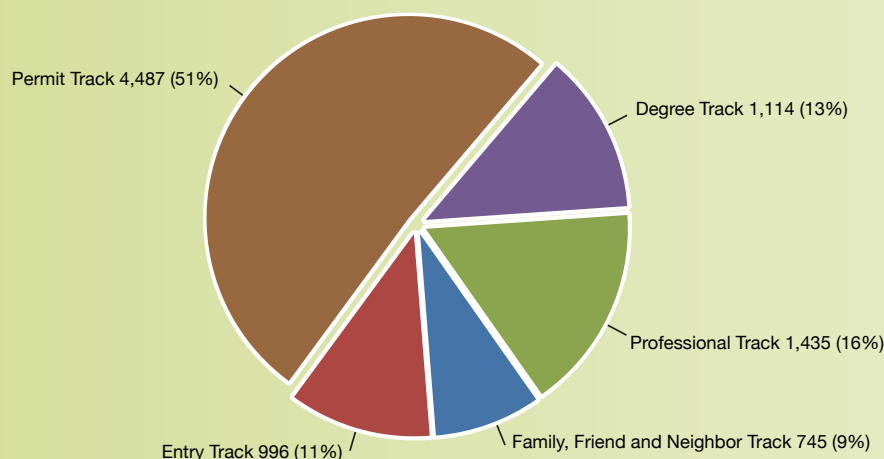
WestEd's *Highlights of the Statewide Impact of CARES 2000-2008* report highlights the following key program areas:

- Early Educators - 86,948 stipends were issued between 2000 and 2007.
- Higher Education Support Systems, Access, and Articulation.

- 91 percent of CARES counties provided specialized advising and/or educational planning services in FY 07/08.
- 27 counties funded/supported unit-bearing courses.
- 79 percent of community colleges are participating in the Curriculum Alignment Project, the goal of which is to develop a statewide lower-division "program of study" constructed on an evidence-based foundation of teaching competencies.
- 78 percent of California State Universities are participating in the Baccalaureate Pathways to Early Care and Education, a project of California State University Child Development Faculty to define core competencies for upper-division coursework across programs that build on students' earlier coursework and experiences.

- Regional and Statewide Coordination - Since the beginning of CARES, data on wages, retention, education obtainment, and training have been collected on over 36,000 early educators.
- California Child Development Permit – There were dramatic increases in the number of permit applications processed after CARES was implemented statewide in 2002.

Exhibit 5: Comprehensive Approaches to Raising Educational Standards—Distribution of Caregivers by Training Track in FY 08/09



HEALTH ACCESS

The objective of Health Access is to ensure that all children in participating counties are insured and have access to quality medical, dental, and vision care services. First 5 California provides funds to assist with the insurance premiums for Healthy Kids, an expanded health insurance program administered by county coalitions known as Children's Health Initiatives (CHIs).

Health Access targets children who are ineligible for Medi-Cal or Healthy Families, and who have a family income at or below 300 percent of the federal poverty level, regardless of immigration status.

In FY 08/09, 20 counties participated in Healthy Kids providing more than 11,600 children ages 0 to 5 with health insurance. County commissions must contribute at least four dollars for every First 5 California dollar they receive for the Health Access project. First 5 California provided \$2.4 million to support Health Access in FY 08/09.

A July 2009 research study compared utilization in CHIs from 2005, 2006, and 2007. This study compared access and utilization measures between Healthy Kids, Medi-Cal, and Healthy Families programs for 22 CHIs. Findings include an overall improvement in the use of preventive health care services of children enrolled in Healthy Kids programs. Furthermore, Healthy Kids members are less likely to use emergency department services and are hospitalized less frequently and for shorter periods than Medi-Cal or Healthy Families members.

In FY 08/09, 20 counties participated in Healthy Kids providing more than 11,600 children ages 0 to 5 with health insurance.

MIGRANT AND SEASONAL FARM WORKERS PROJECT: MIGRANT EDUCATION EVEN START

The Migrant Education Even Start (MEES) program strives to ensure that migrant students are ready to meet California's challenging educational standards upon entering kindergarten. MEES provides parenting skills and early childhood education services through both home- and center-based programs.

MEES targets migrant farm worker families with children ages 0 to 7. Due to these families' migrant work and lifestyles, their children might otherwise go without preschool services and their parents might not receive parent education services.

In FY 08/09, MEES programs operated within migrant communities in 44 counties² and reached 3,202 children and 2,847 parents at 139 sites. First 5 California expended \$1.7 million to support MEES in FY 08/09.

A 2007 MEES evaluation used The Brigance Developmental Screens to assess participants' school readiness. The Brigance tool assesses early childhood general knowledge and comprehension, speech and language skills, gross motor skills, fine motor skills, and number knowledge. 2007 evaluation findings showed:

- Pre- to post-program developmental screening scores increased from 61 to 82 percent.
- Pre- to post-program at-risk developmental screening scores decreased from 74 to 44 percent.
- Participants scored higher in average score and lower in the "at-risk" category than their same-age comparison counterparts.

² Migrant Education Even Start operates in the following counties: Alameda, Butte, Colusa, Contra Costa, Del Norte, Fresno, Glenn, Imperial, Kern, Kings, Lake, Los Angeles, Madera, Marin, Mendocino, Merced, Modoc, Monterey, Napa, Orange, Placer, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Tulare, Ventura, Yolo, and Yuba.

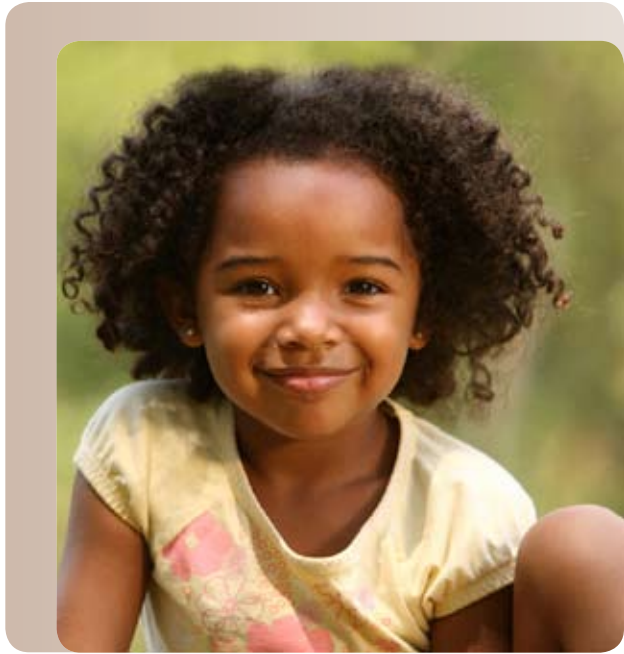
LOW INCOME INVESTMENT FUND CONSTRUCTING CONNECTIONS

The Low Income Investment Fund (LIIF) Constructing Connections is one of four Affordable Buildings for Children's Development Initiative (ABCD) strategies designed to promote and support the development of quality child care facilities and spaces. Constructing Connections develops centralized community-based systems, resources, and expertise to increase the number of child care facilities throughout California. In FY 08/09, First 5 California provided \$1.2 million to support Constructing Connections.

Constructing Connections coordinates and delivers technical assistance, training, knowledge, and funding information to support child care facilities development through 10 demonstration lead agencies in 11 counties. The lead agencies provide child care operators with in-depth technical assistance, training, and tools to overcome local policy and knowledge barriers in facilities development and construction. First 5 California funds Constructing Connections' development activities, bringing together child care providers, community planners and developers, financial institutions and small business leaders, child advocates, educators, and other local stakeholders to plan and support development of child care spaces.

During FY 08/09, Constructing Connections assisted in creating 3,004 new child care spaces. Since its inception in August 2004, Constructing Connections has supported a total of 11,207 new child care spaces, with an additional 6,680 child care spaces under development. When the spaces under development are complete, ABCD will have met its overall goal of 15,000 spaces by 2010.

Toward its larger goal of systems change in child care facilities development, the January 2009 evaluation reported Constructing Connections' sites have greatly expanded community support and stakeholder involvement in the complex processes of developing child care facilities.



CALIFORNIA SMOKERS' HELPLINE

The California Smokers' Helpline helps individuals and families quit smoking by providing one-on-one telephone counseling, self-help materials, and referrals to local resources through a toll-free helpline, 1-800-NO-BUTTS. Helpline counselors follow scientifically validated protocols proven to double callers' odds of successfully quitting. Caring staff who are fully trained to provide effective tobacco cessation support deliver these protocols. All services are available in English, Spanish, Mandarin, Cantonese, Korean, and Vietnamese.

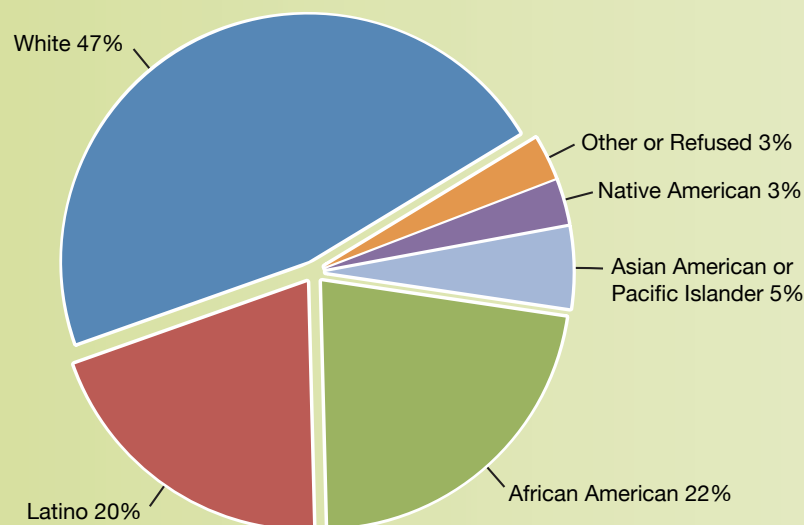
Tobacco use among pregnant women is the leading preventable cause of infant mortality, and secondhand smoke can lead to lifelong health problems for children. Quitting smoking while pregnant or while raising young children can be challenging. In FY 08/09, First 5 California disbursed nearly \$1 million to the Helpline to continue implementation of specialized counseling protocols and distribution of materials to pregnant women, parents, and caregivers of young children to provide them with the support they need to quit smoking successfully.

In FY 08/09, a total of 36,825 people called the Helpline for assistance, including 20 percent who were either pregnant or caring for a child age 0 to 5. Sixty percent of "First 5 callers" had Medi-Cal coverage and 20 percent had no insurance, indicating the low socioeconomic status of the people being served. In addition, 14 percent called the Helpline's Spanish-language line and 2 percent called one of four Asian-language lines, supporting the continued need for multilingual, multicultural services to help California's families quit smoking. As shown in Exhibit 6, more than 52 percent of Helpline callers in FY 08/09 were of ethnic minority backgrounds.

The Helpline is a collaborative effort with the California Department of Public Health and is operated by the University of California, San Diego.

Exhibit 6:

California Smokers' Helpline - Ethnicity of Callers in FY 08/09



Chapter 4: County Commission Program Focus Areas



In 2005, the First 5 California State Commission adopted guidelines requiring counties to report data in four areas: family functioning, child development, child health, and systems of care (see Appendix B). This chapter includes data summarizing how First 5 county commissions spent their local and First 5 California funds in these four focus areas.

FAMILY FUNCTIONING

First 5 county commissions fund the following services to help improve family functioning:

- Adult education and literacy for parents
- *Kit for New Parents* distribution
- Family literacy
- General parenting education programs
- Behavioral, substance abuse, and other mental health services
- Community resource and referral services
- Provision of basic family needs (food, clothing, and housing)
- Targeted intensive parent support services
- Other family functioning support services

In FY 08/09, First 5 provided services to improve family functioning to children ages 0 to 5 and to parents, guardians, primary caregivers, relatives, and providers.

Exhibit 7 displays the number of children ages 0 to 5 served in each family functioning service category and Exhibit 8 reflects the same information for parents, guardians, primary caregivers, relatives, and providers.

While children and adults from all ethnic groups received services, for those reporting an ethnicity, Latinos were the largest recipient group (see

Exhibit 7: Family Functioning - Number of Services Provided to Children Ages 0 to 5 by Service Category in FY 08/09

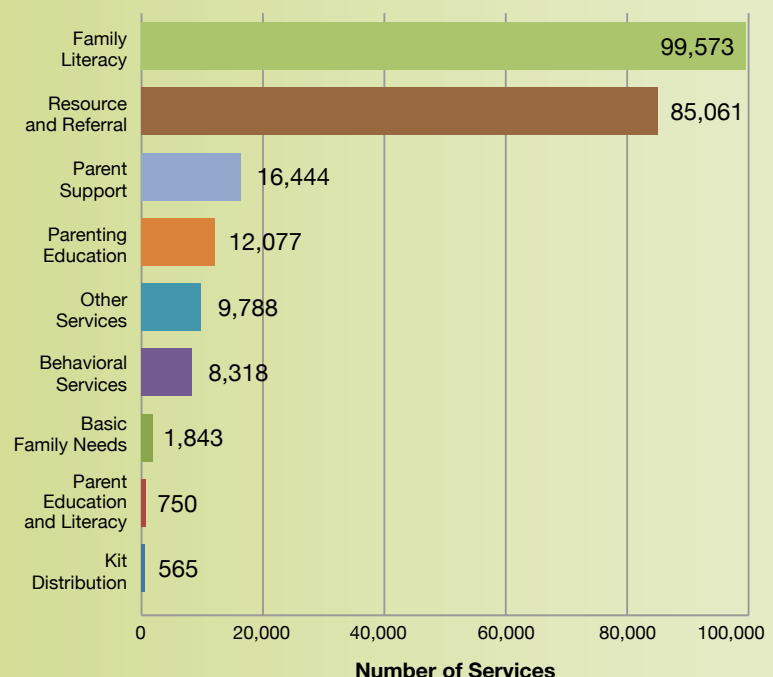


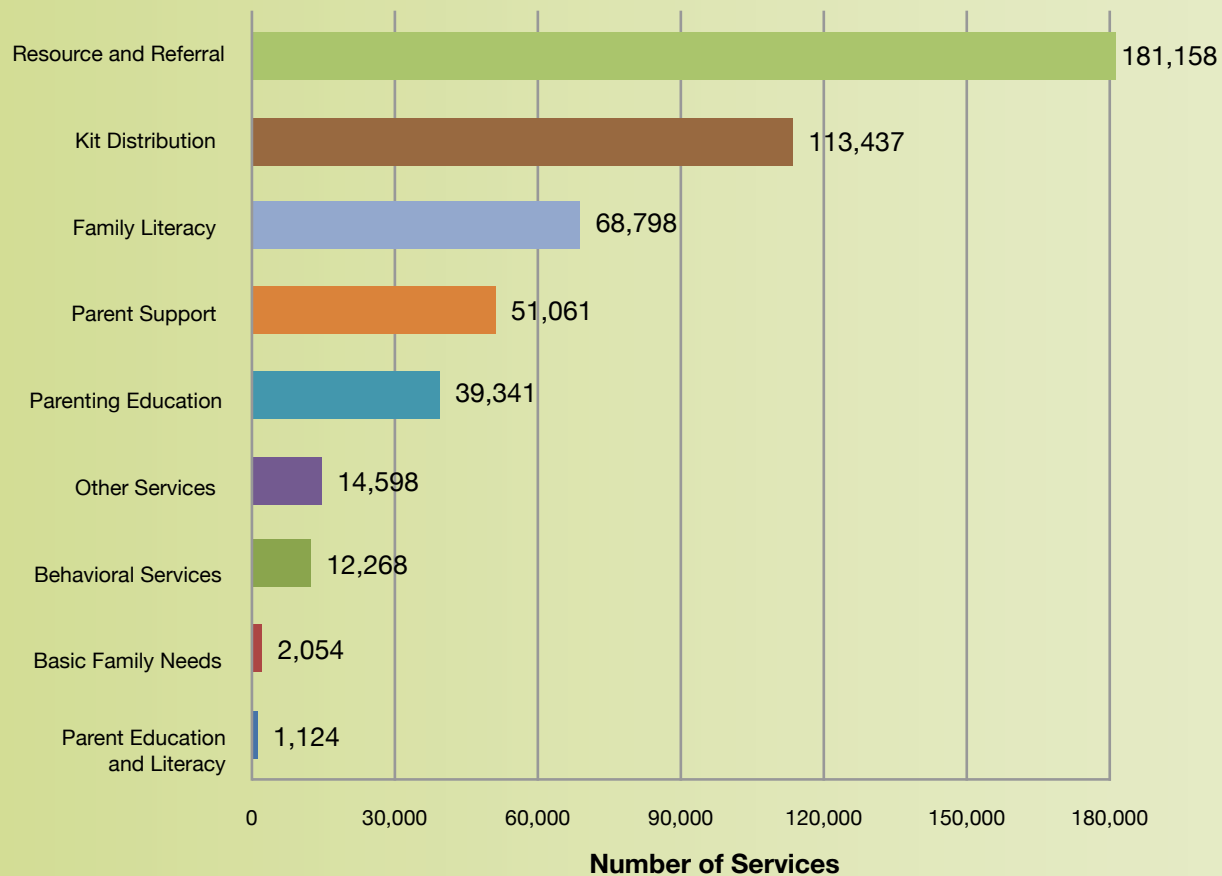
Exhibit 9). For children reporting a primary language, services were provided to Spanish speakers 39 percent of the time and English speakers 58 percent of the time.

In FY 08/09, county commissions expended \$90 million to improve family functioning. Exhibit 10 shows the distribution of expenditures by service category. Schools and educational institutions, community-based agencies, government agencies, private institutions, and First 5 county commissions provided services to children and adults in order to improve family functioning. Exhibit 11 displays expenditures by provider type for each service category. Community-based agencies received 58 percent of all family functioning expenditures in FY 08/09.

First 5 county commissions provide a wide array of programs designed to meet the unique needs of their communities. Each county commission evaluates its programs to determine their impact on the population the county serves. For purposes of illustration, First 5 San Bernardino County's and First 5 Alameda County's family functioning evaluation results are presented below.

First 5 San Bernardino County partners with nine organizations to provide resource referral services to meet specific community needs linking families to critical services such as housing, food, health insurance, and child care. First 5 San Bernardino County used the Basic Essentials scale of the Life Skills Progression (LSP) instrument to measure

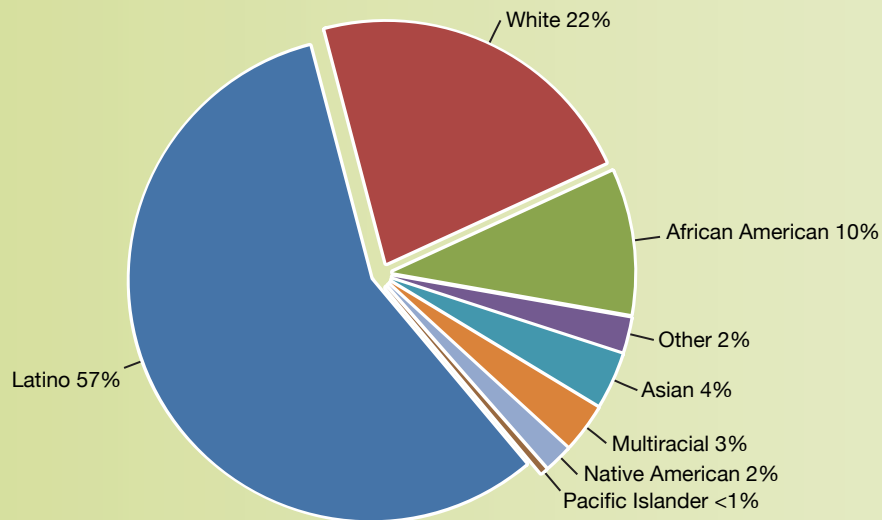
Exhibit 8: Family Functioning - Number of Services Provided to Parents, Guardians, Primary Caregivers, Relatives, and Providers by Service Category in FY 08/09



Some caregivers have received services from multiple programs; adding numbers across service categories may result in duplicate client counts.

Exhibit 9:

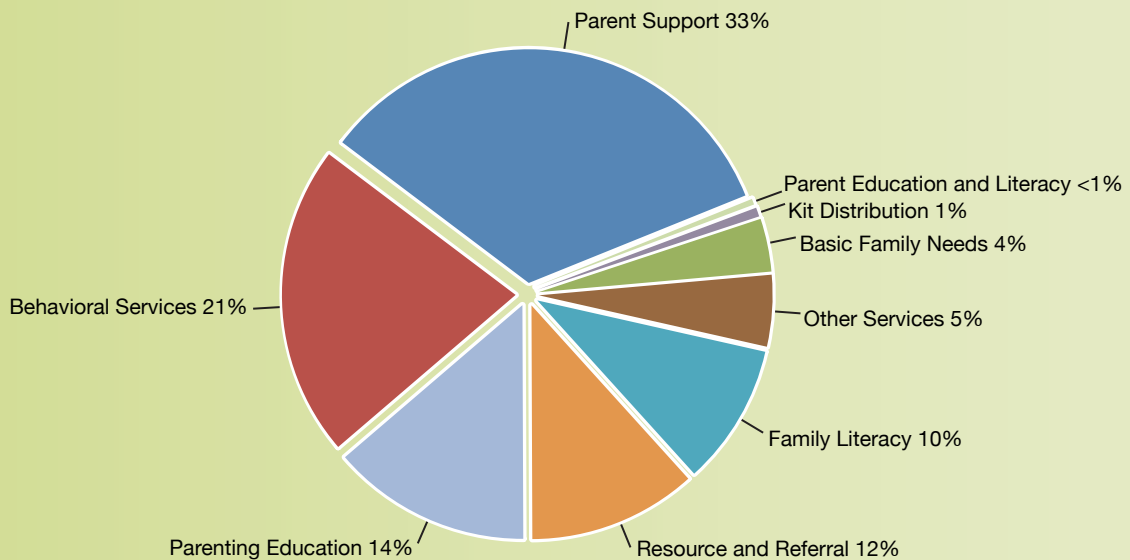
Family Functioning - Services Provided to Children by Ethnicity in FY 08/09



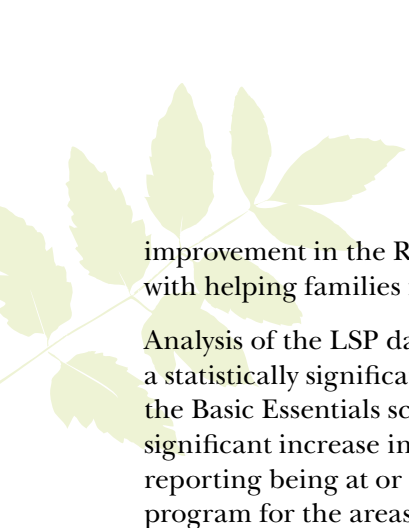
The percentages in this chart may not add to 100 due to rounding.

Exhibit 10:

Family Functioning - Distribution of Expenditures by Service Category in FY 08/09



The percentages in this chart may not add to 100 due to rounding.




improvement in the Resource Centers' assistance with helping families meet their basic needs.

Analysis of the LSP data revealed that there was a statistically significant increase in all areas of the Basic Essentials scale. Moreover, there was a significant increase in the percentage of clients reporting being at or above target area post program for the areas of:

- Housing – increased from 89 to 95 percent
- Food/Nutrition - increased from 85 to 94 percent
- Transportation - increased from 82 to 88 percent
- Medical/Health Insurance - increased from 65 to 79 percent
- Income - increased from 42 to 52 percent
- Child care - increased from 36 to 48 percent

First 5 Alameda County partners with Brighter Beginnings and Tiburcio Vasquez Health Center to provide home-based case management services for pregnant and parenting teens. Confidential services include assistance with health care, childcare, staying in school, career and vocational training, family planning, parent-child interaction, and developmental screening.

According to an Alan Guttmacher Institute study published in 2004, less than one-third of pregnant teens complete their high school degree. Of the 289 pregnant and parenting teens participating in this program, 57 percent remained in school, graduated from high school, or attained their graduation equivalencies.



In FY 08/09, county commissions expended \$280 million to improve child development.

CHILD DEVELOPMENT

First 5 county commissions fund the following services to help improve child development:

- Preschool for three- and four-year olds
- State School Readiness programs and local match
- Local school readiness
- Early education programs for children (other than School Readiness and preschool for three-and four-year olds)
- Kindergarten transition services
- Comprehensive special needs screening and assessments
- Targeted intensive intervention for children identified with special needs
- Early education provider programs
- Other child development services

In FY 08/09, First 5 provided services to improve child development to children ages 0 to 5 and to parents, guardians, primary caregivers, relatives, and providers.

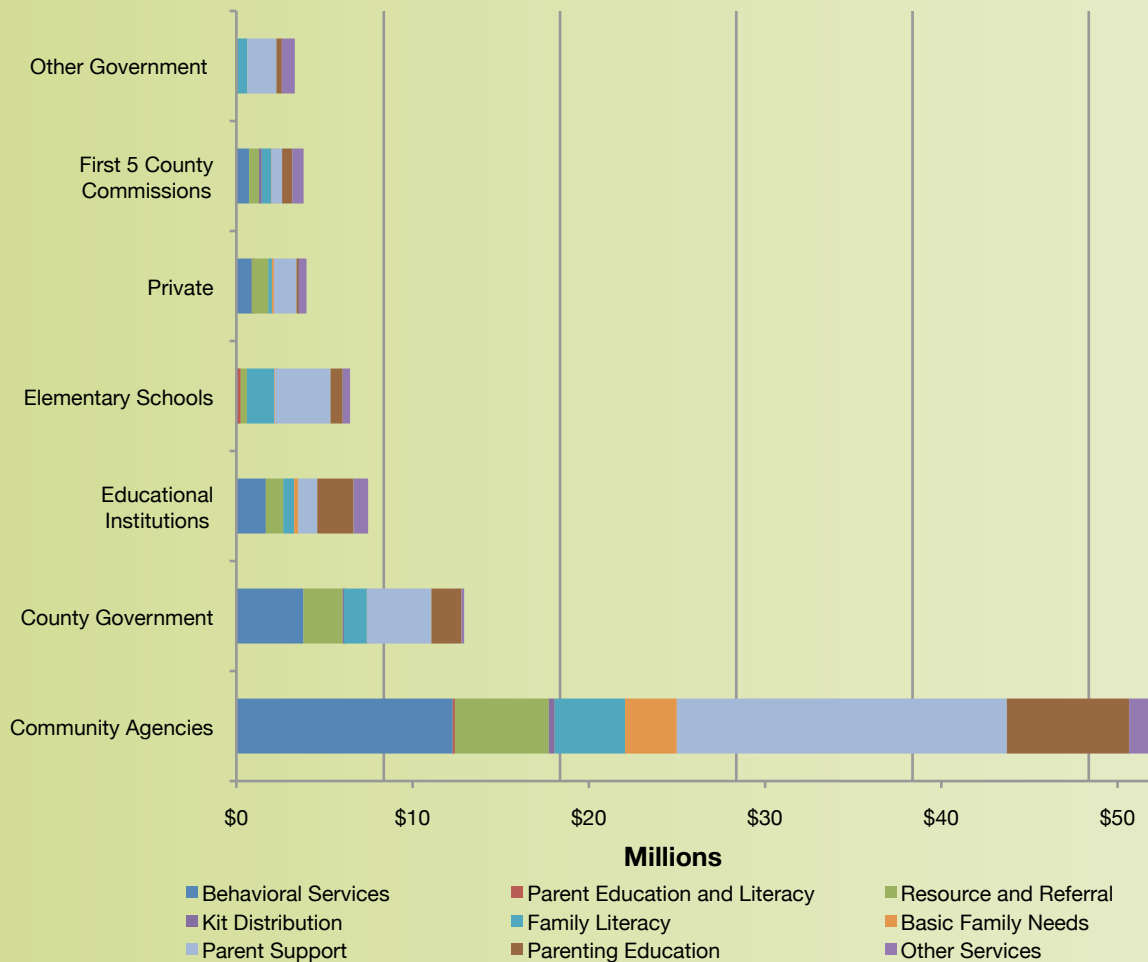
Exhibit 12 displays the number of children ages 0 to 5 served in each child development service category and Exhibit 13 reflects the same information for parents, guardians, primary caregivers, relatives, and providers.

While children and adults from all ethnic groups received these services, for those reporting an ethnicity, services were delivered to Latinos most often (see Exhibit 14). For those children reporting a primary language, 52 percent of services were delivered to those speaking Spanish and 43 percent to those speaking English.

In FY 08/09, county commissions expended \$280 million to improve child development. Exhibit 15 shows the distribution of expenditures by service category. Schools and educational institutions, community-based agencies, government agencies, private institutions, and First 5 county commissions provided services to children and

Exhibit 11:

Family Functioning - Expenditures by Provider and Service Category for FY 08/09



caregivers in order to improve child development. Exhibit 16 shows provider expenditures by service category. In FY 08/09, community agencies received 54 percent of all expenditures to improve child development.

First 5 county commissions provide a wide array of programs designed to meet the unique needs of each county. Each county commission evaluates its programs to determine their impact on the population the county serves. For purposes of

illustration, Imperial County's Children and Families First Commission and First 5 Ventura County's child development evaluation results are presented below.

The Imperial County Children and Families First Commission teamed with the Brain Forest Learning Center, a community based organization, to identify preschool-age children with developmental delays and/or special needs for targeted intervention services. The program

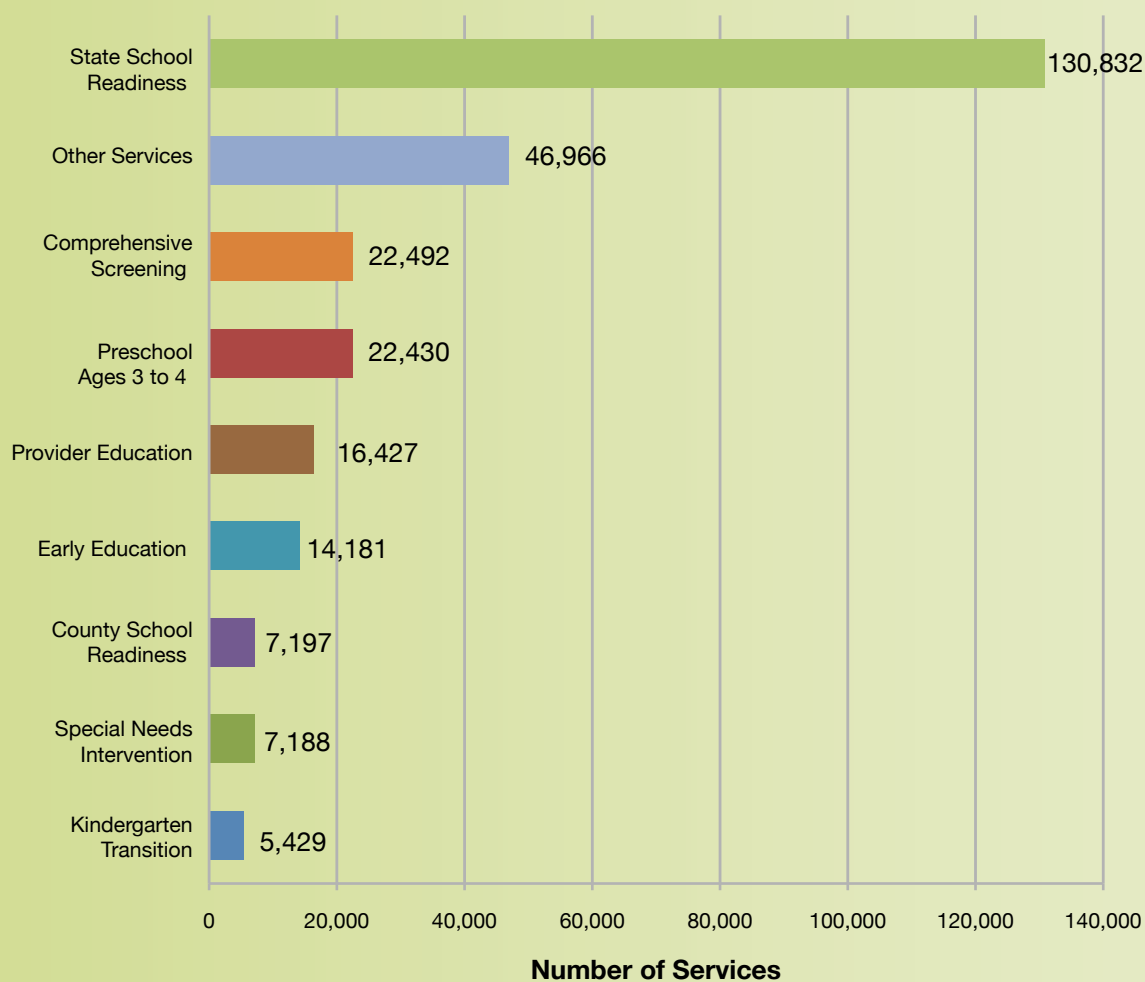
used the Advanced Brain Technologies Listening Program, a program that trains the auditory system to accurately process sound.

Children were assessed over a 10-week period in FY 08/09 using the Listening to Grow Skills Monitoring Assessment Tool and Observation Checklist. The assessment and observation tool has 56 domains related to motor, social/emotional, attention/organization, and language. The evaluation showed that 70 percent of children identified with special needs participating in listening therapy improved in at least 48 percent

of the 56 domains. The most significant gains were in social/emotional development, with a 63 percent increase.

First 5 Ventura County provides Early Learning for Parents and Children Together through its Neighborhoods for Learning. This program aims to improve early literacy. Research shows that families play an important role in children's reading success. By reading aloud with children and encouraging them to read on their own, adults help them become better readers, better listeners, and better students. They also help

Exhibit 12: Child Development - Number of Services Provided to Children by Service Category in FY 08/09



Some children may receive services from multiple programs; adding numbers across service categories may result in duplicate client counts.

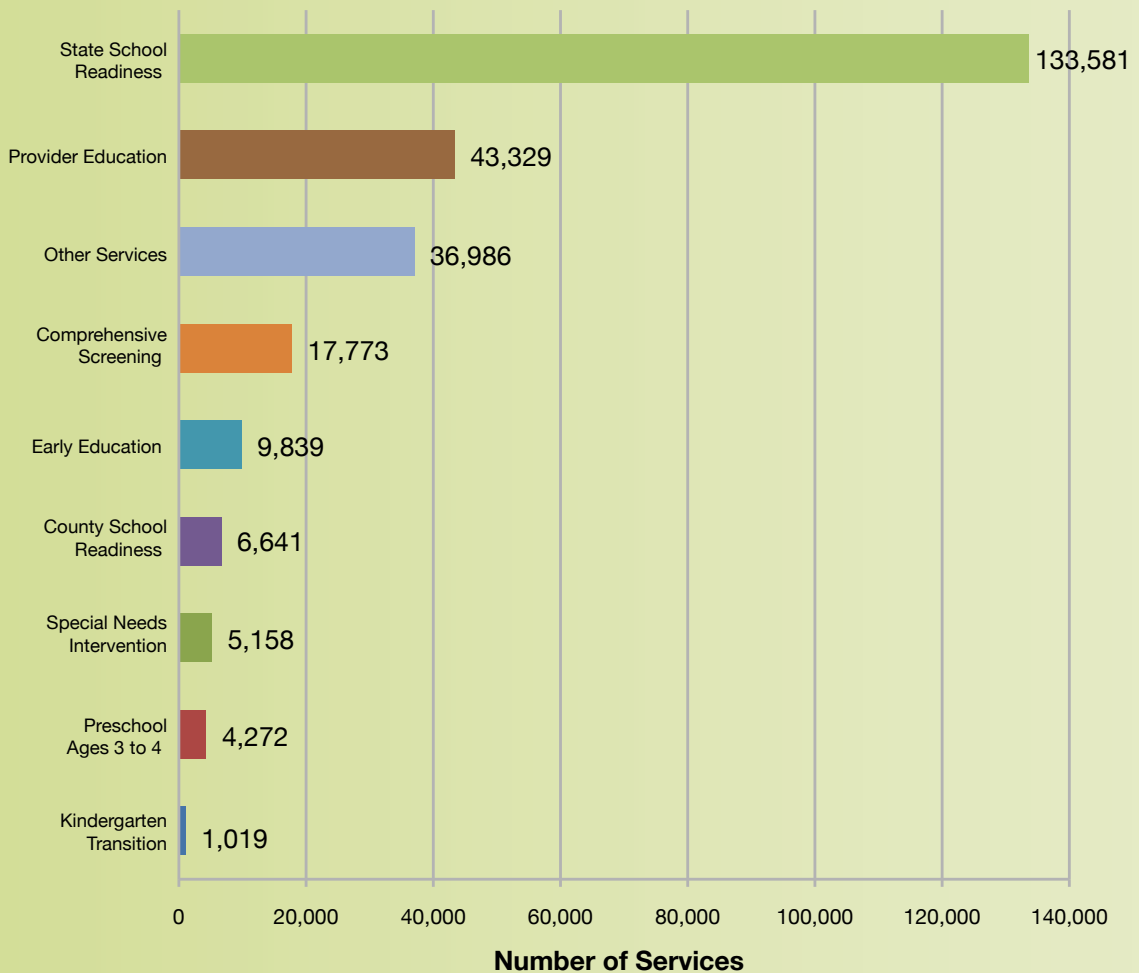
Chapter 4: County Commission Program Focus Area

children build vocabulary and language skills, and help them gain knowledge about the world. When caring adults and children read aloud together, children learn quickly that reading is important. This program encourages that dynamic.

In FY 08/09, 94 percent of parents who received Early Learning for Parents and Children Together services read to their child(ren) at least 3 days a week. By comparison, the Statewide Child and Adolescent Health Measurement Initiative found 76 percent of parents read to their children 3 days a week or more.

In FY 08/09 the program served 2,558 children ages 0 to 3 with their parents/caregivers with parent/child oriented programs focused around socio-emotional and cognitive development, and pre-literacy and family literacy activities

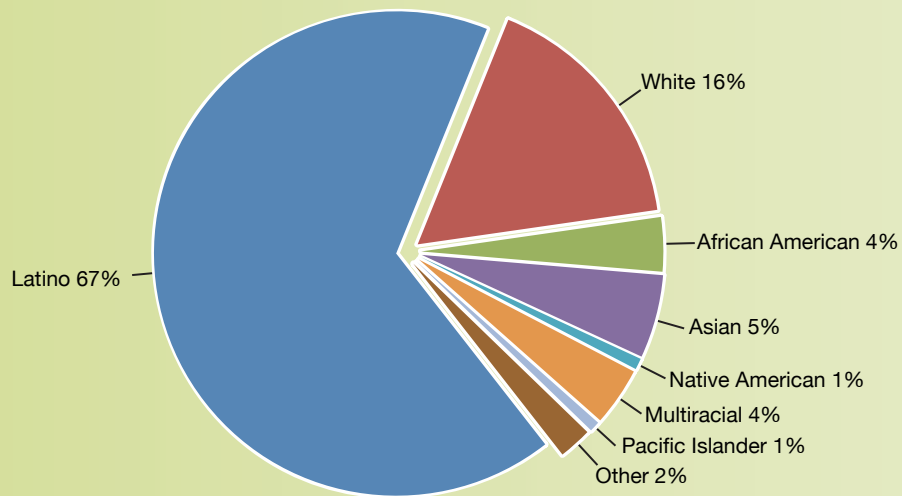
Exhibit 13: Child Development - Number of Services Provided to Parents, Guardians, Primary Caregivers, and Providers by Service Category in FY 08/09



Some caregivers have received services from multiple programs; adding numbers across service categories may result in duplicate client counts.

Exhibit 14:

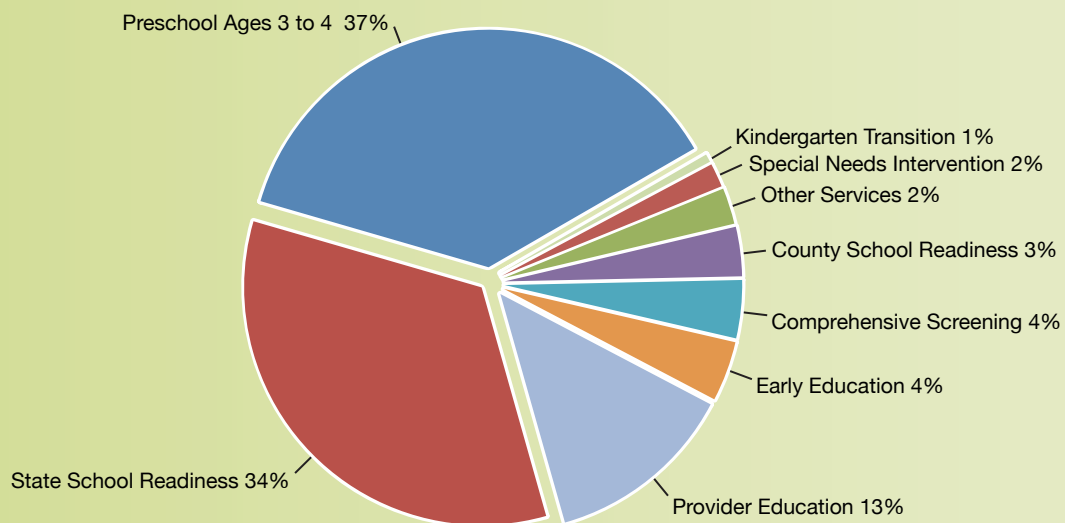
Child Development - Services Provided to Children by Ethnicity in FY 08/09



The percentages in this chart may not add to 100 due to rounding.

Exhibit 15:

Child Development - Distribution of Expenditures by Service Category in FY 08/09



The percentages in this chart may not add to 100 due to rounding.

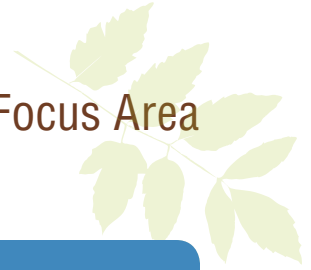
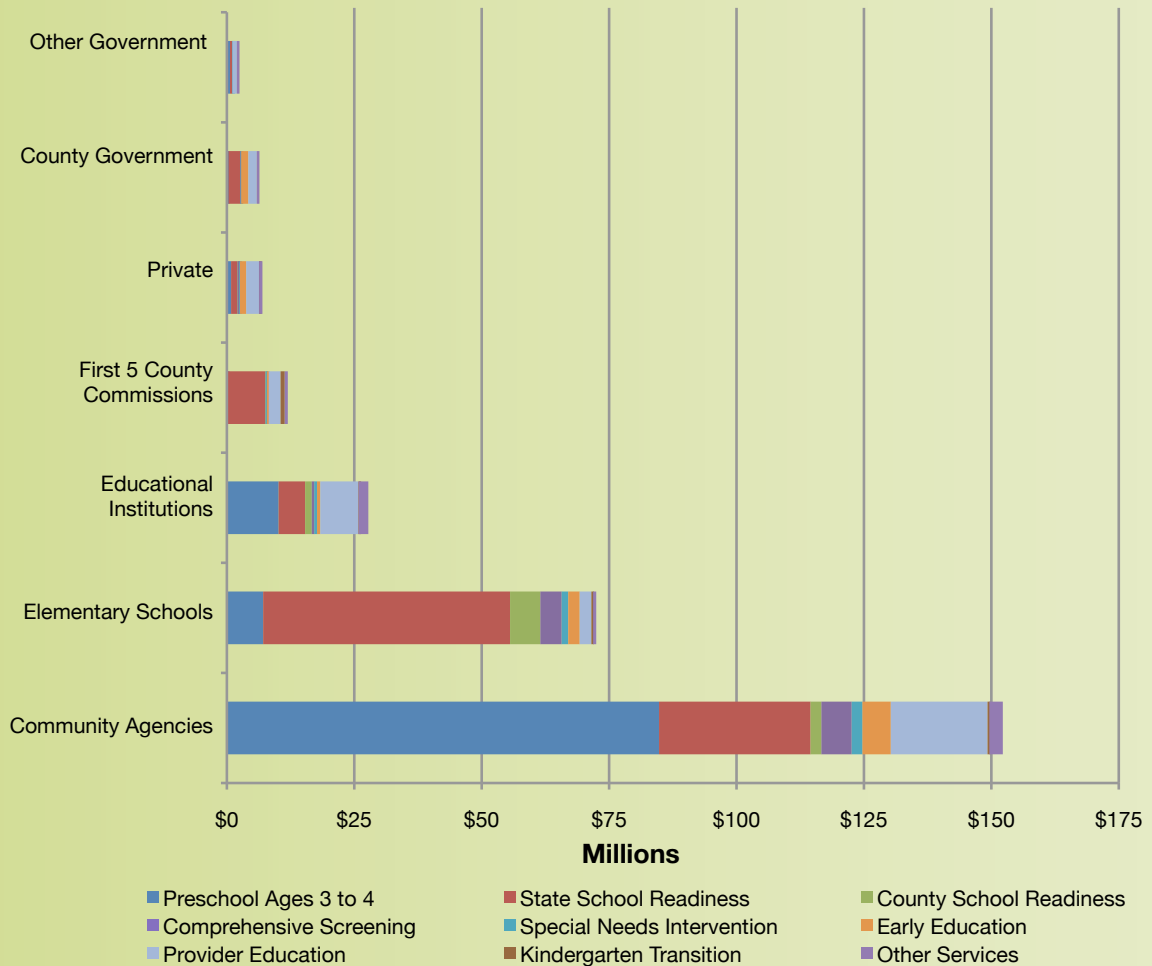


Exhibit 16:

Child Development - Expenditures by Provider and Service Category in FY 08/09



CHILD HEALTH

First 5 county commissions fund the following services to help improve children's health:

- Breastfeeding assistance
- Nutrition and fitness
- Other health education
- Health access
- Home visitations for newborns
- Safety education, and intentional and unintentional injury prevention
- Oral health
- Prenatal care
- Primary care services
- Comprehensive special needs screenings and assessments
- Targeted intensive intervention for children identified with special needs
- Specialty medical services
- Tobacco cessation education and treatment
- Other health services

In FY 08/09, First 5 provided services to improve child health to children ages 0 to 5 and to parents, guardians, primary caregivers, relatives, and providers.

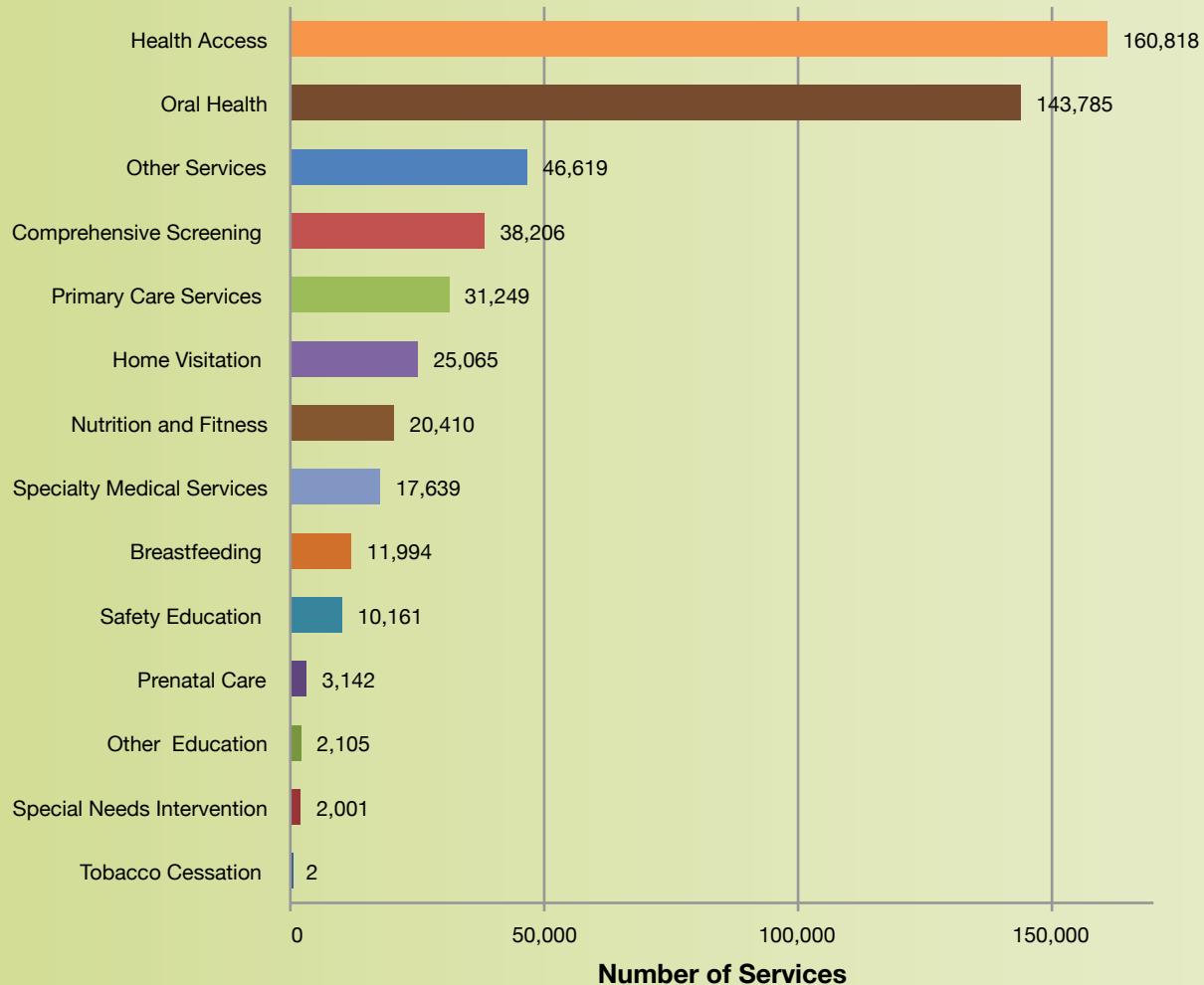
Exhibit 17 displays the number of children ages 0 to 5 served in each child health service category and Exhibit 18 reflects the same information for parents, guardians, primary caregivers, relatives, and providers.

While children and adults from all ethnic groups received services, for those reporting an ethnicity, services were most commonly provided to Latinos (see Exhibit 19). For children who reported a

primary language, services were delivered to those speaking Spanish 57 percent of the time and English 40 percent of the time.

In FY 08/09, county commissions expended \$130 million to improve child health. Exhibit 20 shows the distribution of expenditures by service category. Schools and educational institutions, community-based agencies, government agencies, private institutions, and First 5 county commissions provided services to children and adults in order to improve children's health. Exhibit 21 shows provider expenditures by service category. Community-based agencies accounted for 47

Exhibit 17:
Child Health - Number of Services Provided to Children by Service Category in FY 08/09



Some children may receive services from multiple programs; adding numbers across service categories may result in duplicate client counts.

Chapter 4: County Commission Program Focus Area

percent of all expenditures to improve child health in FY 08/09.

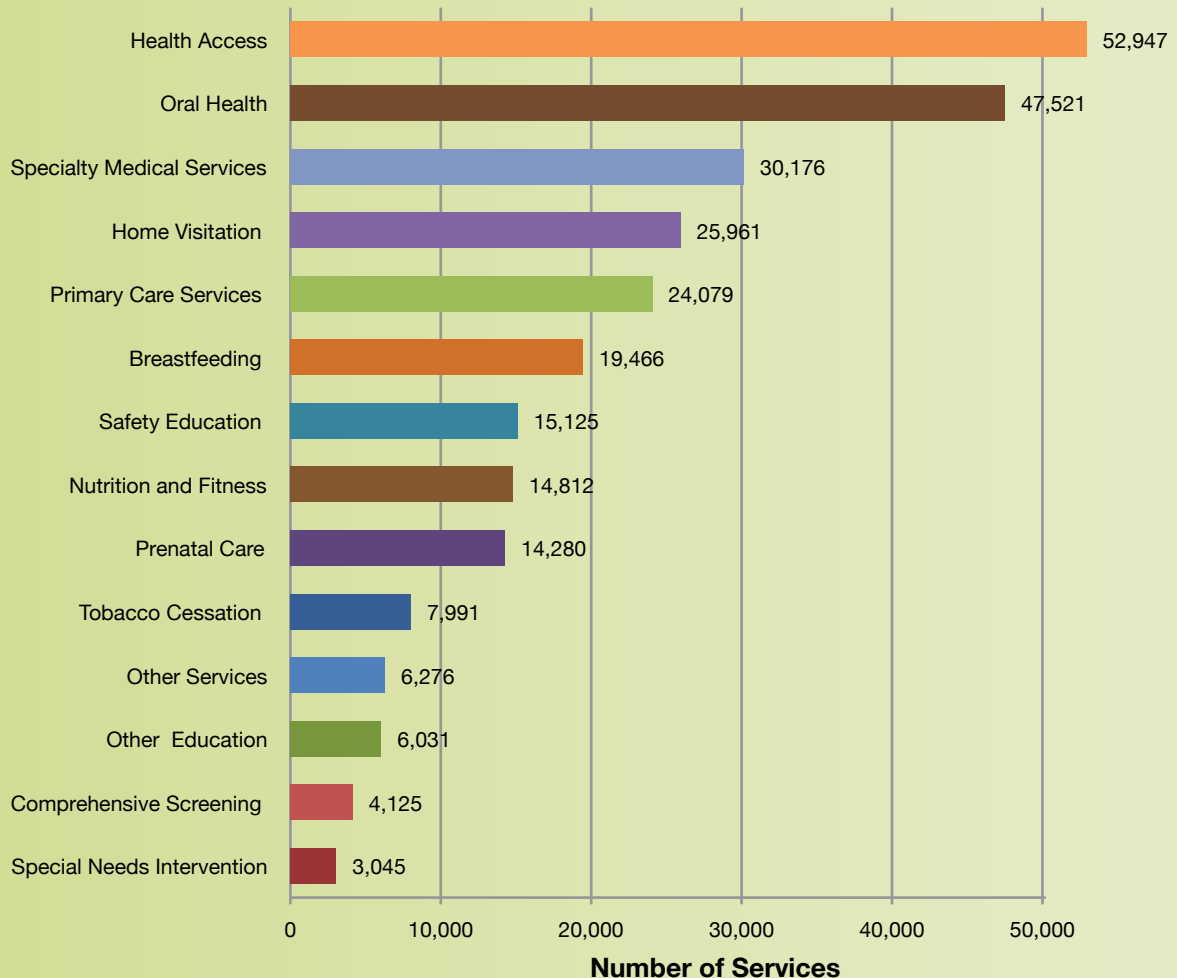
First 5 county commissions provide an array of programs designed to meet the unique needs of each county. Each county commission evaluates its programs to determine their impact on the population the county serves. For purposes of illustration, First 5 Fresno County's and First 5 Lake County's child health evaluation results are presented below.

First 5 Fresno County's Nurse-Family Partnership (NFP) program provides frequent home visitation services to high-risk pregnant, first-time mothers,

infants, and toddlers. Public health nurses develop service plans to address needs, and assist families in implementing medical treatment plans.

Program outcomes include a 39 percent reduction in cigarette smoking during pregnancy, and a 9 percent reduction in the premature birth rate. In contrast, the premature birthrate in all of Fresno County is 13 percent. Statistically, the African American participants showed even greater benefits. The premature birthrate for African Americans in the program was 8 percent, in comparison to the countywide premature birthrate of 16 percent for the same population.

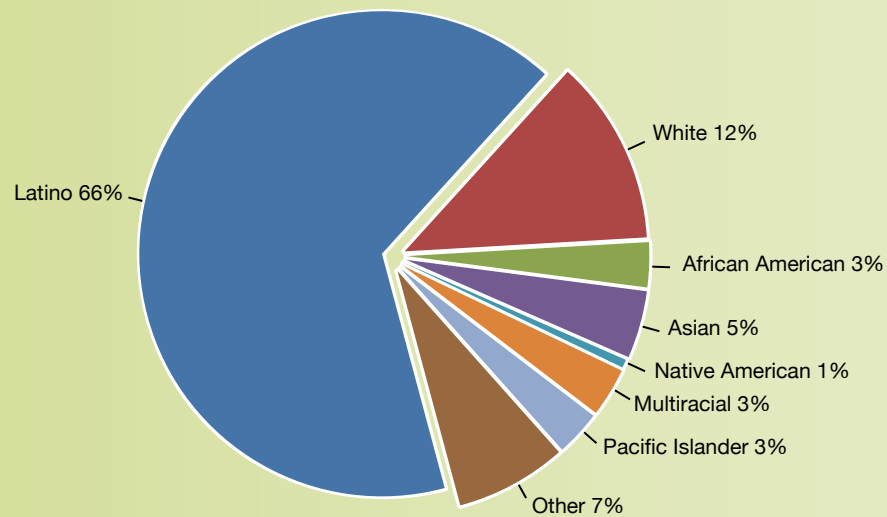
Exhibit 18: Child Health - Number of Services Provided to Parents, Guardians, Primary Caregivers, Relatives, and Providers by Service Category in FY 08/09



Some caregivers have received services from multiple programs; adding numbers across service categories may result in duplicate client counts.

Exhibit 19:

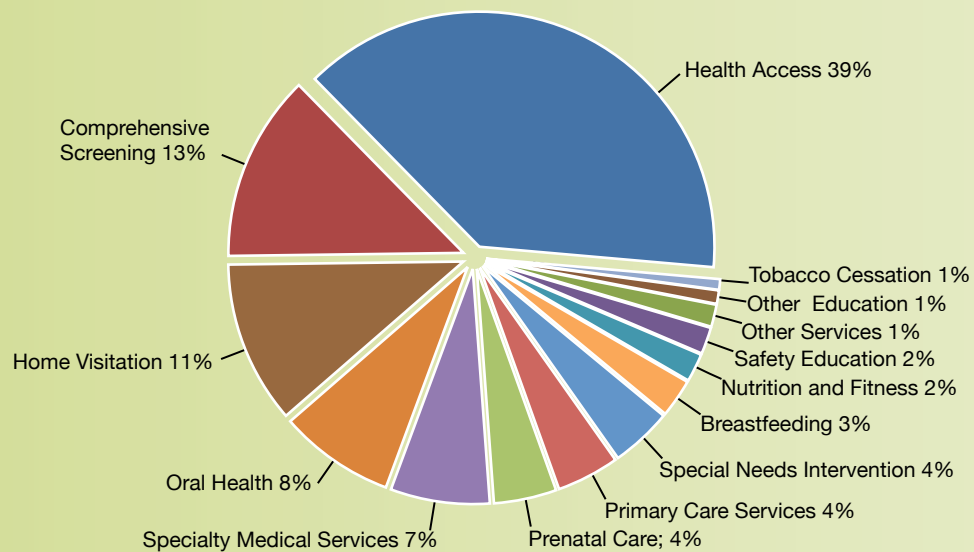
Child Health - Services Provided to Children by Ethnicity in FY 08/09



The percentages in this chart may not add to 100 due to rounding.

Exhibit 20:

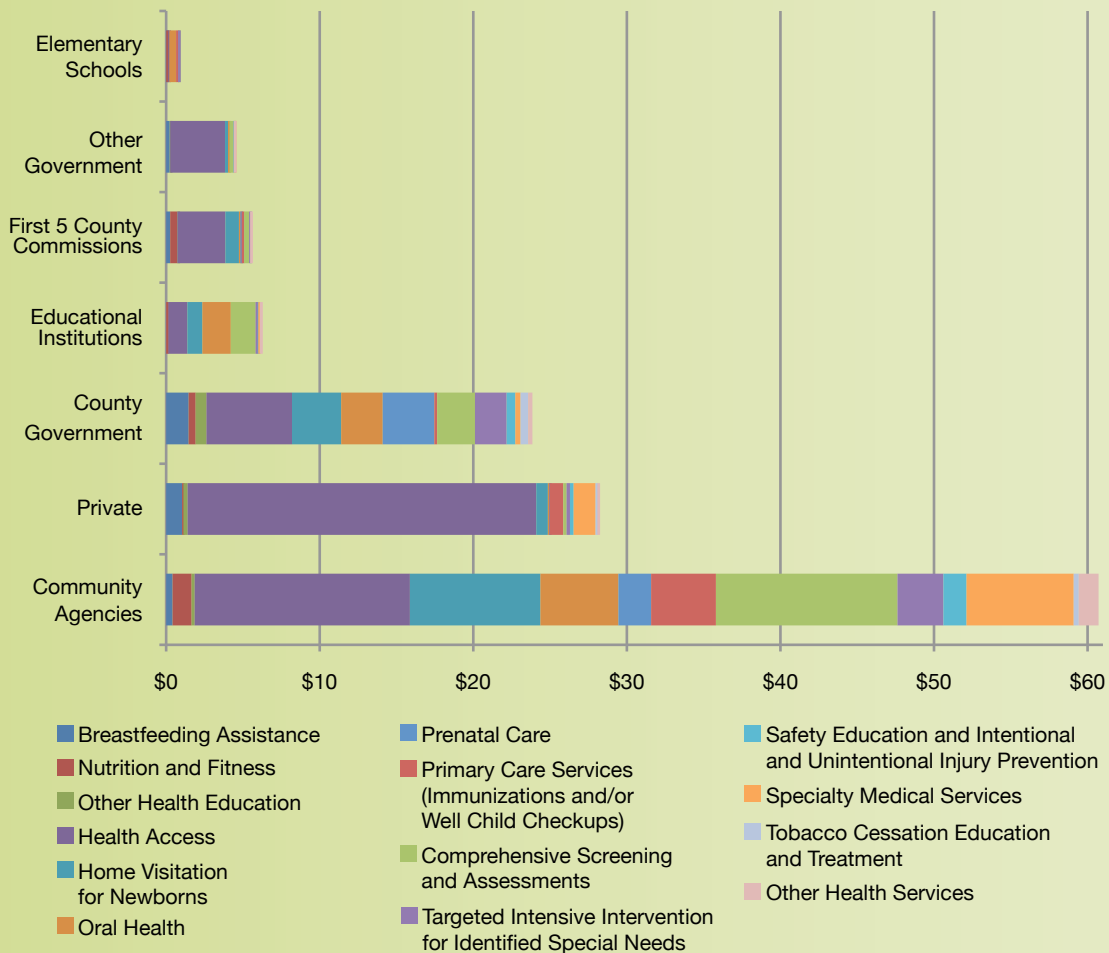
Child Health - Distribution of Expenditures by Service Category in FY 08/09



The percentages in this chart may not add to 100 due to rounding.

Exhibit 21:

Child Health - Expenditures by Provider and Service Category in FY 08/09



First 5 Lake County's oral health program serves 13 school sites and 10 preschool sites, providing dental screenings and referrals to children ages 0 to 5, and education services to children and their parents. The county gleaned program outcomes from the results of the screenings and parent surveys.

Screening results improved between FY 02/03 and FY 08/09:

- Carie-free five year olds increased 7 percent
- Carie-free preschoolers increased 12 percent
- Preschoolers without baby bottle tooth decay increased 10 percent

Parent surveys to capture the long-term impact of oral health education show:

- 76 percent of parents understand proper dental care.
- 88 percent of parents of second grade children had a dental home for their child.
- 88 percent of the children had seen a dentist within the last year.
- 97 percent of the children brush at least twice a day.
- 65 percent rated their child's oral health as excellent or good.

SYSTEMS OF CARE

First 5 county commissions fund the following services to help improve systems of care:

- Provider capacity building (training and support)
- Community strengthening efforts (awareness and education events)
- Service outreach (planning, support, and management)

Systems of care improvements are designed to impact family functioning, child development, and health. First 5 county commissions do not report systems of care service data. In FY 08/09, county commissions expended \$74 million to improve systems of care. Exhibit 22 displays how county commissions dispersed funds by service category.

Schools and educational institutions, community-based agencies, government agencies, private

institutions, and First 5 county commissions provided services to children and adults in order to improve systems of care.

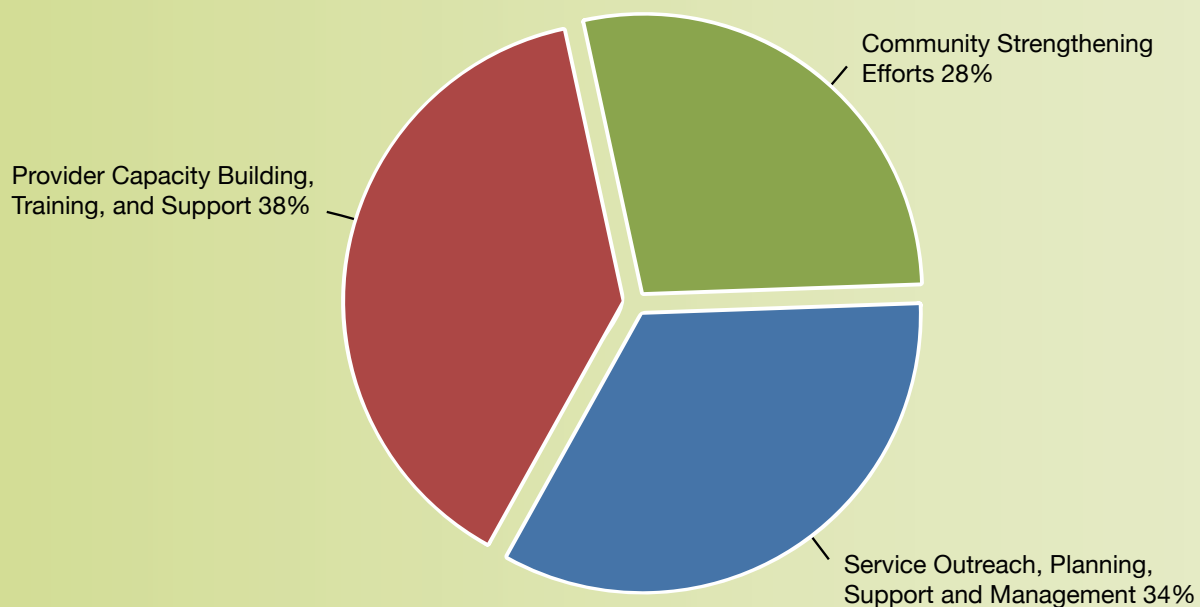
First 5 county commissions provide a wide array of programs designed to meet the unique needs of their communities. Each county commission evaluates its programs to determine their impact on the population the county serves. For purposes of illustration, First 5 San Mateo County's and First 5 Santa Clara County's systems of care evaluation results are presented below.

First 5 San Mateo County's Watch Me Grow (WMG) Special Needs Project includes a component focused on improving collaboration and integration among agencies serving young children with special needs and their families.

In October 2008, First 5 San Mateo County conducted an online survey of 60 agencies in the county that work with children ages 0 to 5 with special needs and their families.

Exhibit 22:

Systems of Care - Expenditures by Service Category in FY 08/09



The percentages in this chart may not add to 100 due to rounding.

Chapter 4: County Commission Program Focus Area

Respondents attributed improvements in the following WMG areas:

- 84 percent responded that programs and agencies work closely together.
- 93 percent responded that there was an increase in service coordination and communication between agencies serving the same clients.
- 82 percent noted an improvement in service quality.
- 90 percent reported supporting children with special needs and their families during kindergarten transition.
- 75 percent reported the availability of culturally and linguistically appropriate services.
- 85 percent noted a decrease in barriers that prevent children and families from accessing services.

First 5 Santa Clara County's Community of Learning (COL) provided cross-disciplinary training to 758 early care and education providers in 27 workshops, offering continuing education units, and emphasizing evidence-based practices. COL continued successful partnerships with agencies such as the Santa Clara County Department of Mental Health, Department of Alcohol and Drug Services, Health and Hospital System, Department of Social Services, Eastfield Ming Quong Children and Family Services, and De Anza and West Valley Colleges to leverage resources and provide expert presenters.

COL was successful in fostering a highly skilled workforce by increasing and replenishing providers' knowledge and skills. Participants rated the training as:

- Informative, relevant, and useful (average rating 4.9 on a 5-point scale)
- Interactive and well organized (4.9)
- Facilitated by knowledgeable and culturally competent presenters (4.9)

*Systems of care improvements
are designed to impact family
functioning, child development,
and health.*

- High quality (4.9)
- Likely to implement the new information in daily practice (4.8)

The collective work of First 5 California and the First 5 county commissions provides a wide array of statewide services to children ages 0 to 5 most in need. First 5 California and county commission evaluation results show that these services improve family functioning, child development, child health, and systems of care. In future years, we will build upon the solid foundation our current programs provide to ensure First 5 California achieves its mission to be recognized as California's unequivocal voice for all children ages 0 to 5 to ensure greater equity in their readiness for school.



Appendix A: First 5 California Matching Funds Programs

School Readiness Programs (All counties have one School Readiness program unless otherwise indicated)

Alameda	Santa Barbara
Amador	(5)
Alpine	Santa Clara
Butte	Santa Cruz
Calaveras	Shasta
Colusa	Sierra
Contra Costa	(3) Siskiyou
Del Norte	Solano (4)
El Dorado	Sonoma
Fresno (11)	Stanislaus (7)
Glenn	Sutter
Humboldt	Tehama
Imperial	Trinity
Inyo	Tulare
Kern (11)	Tuolumne
Kings (4)	Ventura (4)
Lake	Yolo (2)
Lassen	Yuba
Los Angeles (42)	
Madera	
Marin	
Mariposa	
Mendocino	
Merced (8)	
Modoc	
Mono	
Monterey (3)	
Napa	
Nevada	
Orange (13)	
Plumas	
Riverside (6)	
Sacramento (7)	
San Benito	
San Bernardino (12)	
San Diego (8)	
San Francisco	
San Joaquin (7)	
San Luis Obispo	
San Mateo	

Power of Preschool (PoP) Demonstration Projects

Los Angeles
Merced
San Diego
San Francisco
San Joaquin
San Mateo
Santa Clara
Ventura
Yolo

Comprehensive Approaches to Raising Educational Standards (CARES) Counties

Alameda
Amador
Butte
Calaveras
Contra Costa
El Dorado
Glenn
Humboldt
Kings
Lake
Lassen
Madera
Marin
Mendocino
Merced
Modoc
Mono
Monterey
Napa
Nevada
Placer
Plumas
Riverside
Sacramento
San Benito
San Diego
San Francisco
San Joaquin
San Mateo
Santa Barbara
Santa Clara
Santa Cruz
Shasta
Sierra
Siskiyou
Solano
Sonoma
Stanislaus
Ventura
Tehama
Trinity
Tuolumne
Yolo
Yuba

Health Access Demonstration Projects

Alameda
Colusa
El Dorado
Fresno
Kern
Los Angeles
Merced
Napa
Riverside
Sacramento
San Bernardino
San Francisco
San Joaquin
San Luis Obispo
San Mateo
Santa Barbara
Santa Clara
Santa Cruz
Solano
Sonoma
Tulare
Yolo
Yuba

Special Needs Projects (SNP)

El Dorado
Los Angeles
Mendocino
Merced
Monterey
Orange
Riverside
San Diego
San Francisco
Sonoma

Appendix B: First 5 California Result Areas and Services

RESULT 1: IMPROVED FAMILY FUNCTIONING

Providing parents, families and communities with relevant, timely and culturally appropriate information, education, services and support.

Services:

- **Behavioral, Substance Abuse and Other Mental Health Services**
Behavioral and mental health services, substance abuse services, treatment, and counseling and/or therapy for children or adult family members, including play, parent-child interaction approaches, child-abuse counseling, and family therapy.
- **Adult Education and Literacy for Parents**
Education, training, ESL classes, literacy, and/or a General Equivalence Diploma (GED).
- **Community Resource and Referral**
Programs that provide referrals or service information about various community resources, such as medical facilities, counseling programs, family resource centers, and other supports for families, for instance, 211 services or community resource reporting.
- **Distribution of Kit for New Parents**
Programs that provide and/or augment the First 5 California Kit for New Parents to new and expectant parents (e.g., a hospital visitation program to new mothers).
- **Family Literacy Programs**
Programs designed to increase the amount of reading that parents do with their children. Programs may include educating parents about the benefits of reading or looking through books (e.g., Even Start, Reach Out and Read, Raising a Reader).
- **Provision of Basic Family Needs (e.g., Food, Clothing, Housing)**
Meals, groceries or clothing provided through programs such as food pantries and store certificates, emergency funding or household goods acquisition assistance, temporary or permanent housing acquisition assistance, and related case management.
- **Targeted Intensive Parent Support Services**
Intensive and issue specific support services to families at risk including home visitation, long-term classes or groups, or other intensive support for parents or expectant parents to increase knowledge and skills related to parenting and improved family functioning.
- **General Parenting Education Programs**
Short-term, non-intensive instruction on general positive parenting topics.

RESULT 2: IMPROVED CHILD DEVELOPMENT

Increasing the quality of and access to early learning and education for young children.

Services:

- **Preschool for 3 and 4 year-olds**
Preschool for three and four year-olds distinct from a comprehensive school readiness program. Includes funding pre-existing spaces or spaces in programs with the intensity and quality similar to Power of Preschool criteria.
- **State School Readiness Programs and Local Match**
State and local match-funded services under the State Commission's School Readiness Initiative, designed to improve children's readiness for school.
- **Local School Readiness (Mirror Programs)**
County commission-based School Readiness programs funded solely by county commission dollars that are "mirror" programs to the State School Readiness Program.
- **Comprehensive Developmental Screening and Assessment**
Screening and diagnostic services including behavioral, mental health, developmental, and physical health. This includes screening programs that measure cognitive/intellectual functioning, language and communication skills, social and emotional development, and perceptual/motor functioning to identify children who show developmental delays. These services determine the nature and extent of a problem and recommend a course of treatment and care.
- **Targeted Intensive Intervention for Children Identified with Special Needs**
Programs that identify children with special needs and provide intensive and specific services to those children. Children with disabilities and other special needs refers to those children who are between birth and 5 years of age and meet the definition of "special needs."
- **Early Education Programs for Children (other than School Readiness and Preschool for 3 and 4 year olds)**
Quality intensive educational activities and experiences for children intended to foster social, emotional, and intellectual growth, and prepare them for further formal learning.
- **Early Education Provider Programs**
Training and educational services, supports and funding to improve the quality of care or facilities. This includes Comprehensive Approaches to Raising Educational Standards, facility grants and supply grants to providers.
- **Kindergarten Transition Services**
Classes, home visits, camps, tours, or other activities designed to help children be more comfortable and accustomed to the learning environment, expectations, activities, and school personnel when they enter kindergarten. This category also includes individual child learning plans and school-wide transition plans.



RESULT 3: IMPROVED CHILD HEALTH

Promoting optimal health through identification, treatment and elimination of the risks that threaten children's health and lead to developmental delays and disabilities in young children.

Services:

- **Breastfeeding Assistance**
Education related to the benefits of breastfeeding, including classes to women, families, employers, and the community, as well as breastfeeding support services to women.
- **Nutrition and Fitness**
Information and services about nutrition, fitness, and obesity prevention for the 0 to 5 population; this includes programs to teach the basic principles of healthy eating, food handling and preparation, and the prevention of illness.
- **Other Health Education**
Information and services about health other than nutrition, fitness and obesity prevention.
- **Health Access**
Health insurance, premium support, and enrollment assistance, programs that ensure use of health services, strategies to retain health insurance, and insurance premium payments or subsidies.
- **Home Visitation for Newborns and Their Families**
Home visitation services to promote and monitor development of children ages 0 to 2.
- **Oral Health**
Dental screenings, checkups, cleanings, preventive and acute treatments, and education on preventive care. May include training for providers as well as for children and families.
- **Prenatal Care**
Education, treatment, and counseling to promote healthy pregnancies and deliveries.
- **Primary Care Services (e.g., Immunizations, Well Child Checkups)**
Medical care services to children 0 to 5 including preventive, diagnostic, and therapeutic care by a licensed healthcare professional.
- **Comprehensive Screening and Assessment**
Screening and diagnostic services including behavioral, mental health, developmental, and physical health. Includes screening programs that measure cognitive/intellectual functioning, language and communication skills, social and emotional development, and perceptual/motor functioning to identify children who show developmental delays. These services determine the nature and extent of a problem and recommend a course of treatment and care.

■ **Targeted Intensive Intervention for Children Identified with Special Needs**

Programs that identify children with special needs and provide intensive and specific services to those children. Children with disabilities and other special needs refers to those children who are between birth and 5 years of age and meet the definition of "special needs."

- **Safety Education and Intentional and Unintentional Injury Prevention** Programs that disseminate information about child passenger and car safety, fire safety, water safety, home safety (childproofing), and the dangers of shaking babies. Includes education on when and how to dial 911, domestic violence prevention and intentional injury prevention. Referrals to community resources that focus on these issues may also be included.

- **Specialty Medical Services**
Emergency and critical care services for children ages 0 to 5 who require specialty care or have an illness or injury that requires immediate, short-term intervention or other specialty care services including care for chronic childhood illnesses. This category also includes follow-up on medical conditions or concerns identified from health/developmental screenings, such as autism, vision, or asthma.

- **Tobacco Cessation Education and Treatment**
Education on tobacco-related issues and abstinence support for participants using tobacco products. Includes providing information on reducing young children's exposure to tobacco smoke.

RESULT 4: IMPROVED SYSTEMS OF CARE

Implementing integrated, comprehensive, inclusive and culturally and linguistically appropriate services to achieve improvements in one or more of the other Focus Areas.

Services:

- **Service Outreach, Planning, Support, and Management**
General planning and coordination activities, program monitoring, technical assistance and support, support for interagency collaboration, support for services to diverse populations, contract administration, program database management, and program support and oversight activities.
- **Provider Capacity Building, Training, and Support**
Provider training and support to improve their capacity to participate and deliver services to families with young children. Includes business planning, grant writing workshops, sustainability workshops, and large community conferences or forums.
- **Community Strengthening Efforts**
Community awareness and educational events on a specific early childhood topic or promoting broad awareness of the importance of early childhood development.

Appendix C: California State Controller Annual Report

THE FOLLOWING SECTION IS PRESENTED AS A RE-PRINTING OF THE CALIFORNIA STATE CONTROLLER ANNUAL REPORT TO THE FIRST 5 CALIFORNIA COMMISSION



**ANNUAL REPORT TO THE
FIRST 5 CALIFORNIA COMMISSION**

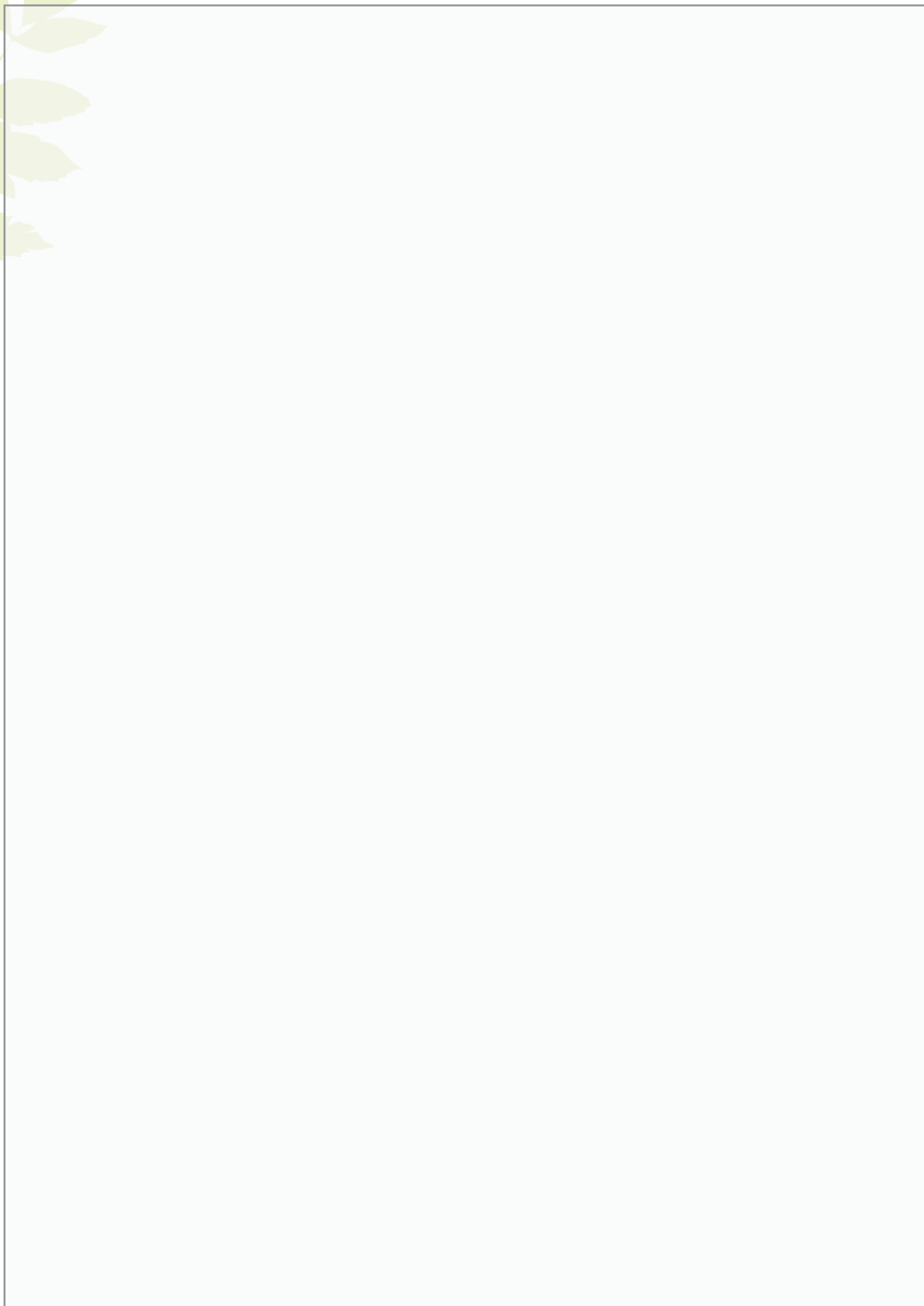
**RESULTS OF AUDIT OVERSIGHT
OF LOCAL COMMISSIONS**

For the Period of July 1, 2007, through June 30, 2008



JOHN CHIANG
California State Controller

October 2009





JOHN CHIANG
California State Controller

October 26, 2009

Kris Perry, Executive Director
First 5 California
2389 Gateway Oaks Drive, Suite 260
Sacramento, CA 95833

Dear Ms. Perry:

I am pleased to submit our annual report to the First 5 California Commission. Our report summarizes the results of our review of the independent audits of the local First 5 county commissions (local commissions) for fiscal year 2007-08.

This is the second report submitted in accordance with Senate Bill 35 (Chapter 243, Statutes of 2005) which mandated an expanded audit of every county commission funded by the California Children and Families Program Act (Proposition 10, 1998). Each commission was required to adopt a range of policies on contracting and procurement, administrative expenditure limits, conflict of interest, staff compensation, and long-range financial planning. Each local commission is required to have an annual independent audit that is reviewed by the State Controller's Office (SCO).

Our review focused on determining whether the independent auditors complied with audit standards and the expanded audit guidelines when performing the local commission audits. As required by statute, our annual report summarizes the results of our review and assesses the audit reports issued by the independent auditors. In addition, the audit findings and audit finding follow-up section of our report presents the findings from each local commission's independent audit report. Lastly, because we have completed two review cycles, our report contains the comparative statistics from the results of our desk reviews of the independent audits for 2007-08 and 2006-07.


I hope our report will be useful to you in assessing the local commissions' activities and compiling your annual report to the Legislature. Please direct any comments regarding the content of the report to Casandra Moore-Hudnall, Chief, Financial Audits Bureau, at (916) 322-4846.

Sincerely,

Original signed by

JOHN HIBER
Chief Operating Officer

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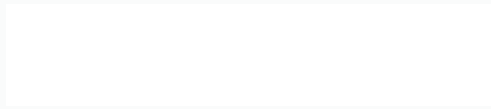


Kris Perry, Executive Director
October 26, 2009
Page 2

cc: Terry Miller, Chief
 Administrative Services Division
 First 5 California Commission
David Kears, Acting Chair
 First 5 California Commission
Sumi Sousa, Commissioner
 First 5 California Commission
Carla Dartis, Commissioner
 First 5 California Commission
Maria Minon, M.D., Commissioner
 First 5 California Commission
Molly Munger, Commissioner
 First 5 California Commission
Eleni Tsakopoulos-Kounalakis, Commissioner
 First 5 California Commission
S. Kimberly Belshé, Ex Officio Member
 Health and Human Services Agency
 First 5 California Commission
Dr. Glen Thomas, Ex Officio Member
 Office of the Secretary for Education
 First 5 California Commission

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Executive Summary

The First 5 California (Children and Families) Program was established by an initiative measure in 1998 and amended in 2005, giving the State Controller's Office (SCO) oversight responsibility for audits of the local First 5 county commissions. The objective of the amendment was to provide the state commission with independently verified fiscal and state compliance information obtained from audits performed in accordance with applicable standards and requirements.

The State Controller's oversight responsibility includes providing audit guidelines, reviewing local commissions' annual audit reports for compliance with applicable audit standards and guidelines, and following up on findings contained in the audit reports. As needed, the SCO approves and makes substantive changes to the audit guide after consultation with an audit guide committee composed of representatives from the First 5 state commission and local commissions.

This is the second report submitted in accordance with the expanded audit statutes chaptered into law in 2005; therefore, this report includes comparative results. In summary, our report contains the following key observations of local commission audits:

- Of the 58 independent audit reports, 25 (43%) complied with audit guide requirements and/or audit standards. This is an increase from the prior reporting period (2006-07) when only 28 percent of the audit reports submitted complied with all standards and/or requirements.
- Of the 58 counties, 39 (67%) submitted the required audit reports by the November 1st deadline. In comparison, 57 percent of the 2006-07 audits were submitted by the deadline.
- Fourteen local commission audit reports contained a total of 24 audit findings categorized as either "internal control" (19) or "state compliance" (5). In comparison, 17 of the 2006-07 audit reports contained 30 audit findings (17 were internal control and 13 were state compliance).

During the review cycle, based on desk reviews of commission/board meeting minutes and on-site follow up of audit findings, the SCO did not recommend withholding funding allocations for any commission for failure to correct (or provide a viable plan to correct) audit findings.

Introduction

Overview

The State Controller's Office's (SCO), Division of Audits, is responsible for performing the oversight activities for the independent audits of local entities administering the California Children and Families Act (First 5 program). Oversight activities consist of:

- Developing an audit guide based on the Health and Safety Code, audit standards generally accepted in the United States, and government auditing standards;
- Verifying (via desk reviews/analysis) that the independent audit reports contracted for by the local First 5 commissions (local commissions) comply with auditing standards and the audit guide; and
- Following up on the status of audit findings reported in the independent audits.

Health and Safety Code section 130151 (added by Chapter 243, Statutes of 2005) requires that the SCO issue guidelines for annual expanded audits¹ that require independent auditors to review local commission compliance with policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinance
- Long-Range Financial Plans
- Financial Condition of Commission
- Program Evaluation
- Salaries and Benefit Policies

In addition, Health and Safety Code section 130151 also requires that the SCO:

- Determine, within six months of the state or county commission's response pursuant to subdivision 130151(d), whether the county commission has successfully implemented corrective action in response to the findings contained in its audit report, and
- Recommend that the state commission withhold the funding allocation for local commissions unable to provide the SCO with a viable plan to correct identified audit findings; and
- Submit to the First 5 Commission, by November 1 of each year, a report summarizing the results of the reviews of the local commissions' audits for the preceding reporting cycle.

¹ *Standards and Procedures for Audits of California Counties Participating in the First 5 California (Children and Families) Program*

Background

First 5 Program

The First 5 California (Children and Families) Program was established by an initiative measure, the California Children and Families (CCF) Act of 1998 (Act). The Act required that the program be funded by surtaxes imposed on the sale and distribution of cigarettes and tobacco products. The Act further required that the funds be deposited into the CCF Trust Fund, for the implementation of comprehensive early childhood development and smoking-prevention programs.

SCO Oversight

The SCO's oversight and reporting requirements (Health and Safety Code section 130151) were added by Senate Bill (SB) 35 (Chapter 243, Statutes of 2005). Prior to SB 35, existing law already included a fiscal/audit reporting component; therefore, the addition of SCO oversight was considered to be an expansion of those requirements. Consequently, the local and state First 5 programs refer to the SCO audit guidelines as "expanded" audit guidelines.

The SCO, along with a committee—composed of representatives from the First 5 state commission, local commissions, the Government Finance Officers Association, county auditor-controllers, and independent auditors—developed the initial audit guide based on statutory requirements enumerated in Health and Safety Code section 130151(b). The guide is updated as needed by a committee composed of representatives from the SCO, the First 5 state commission, and the local commissions. Health and Safety Code section 130151(b) states that the scope of the independent audits will address the commissions' policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinance
- Long-Range Financial Plans
- Financial Condition of Commission
- Program Evaluation
- Salaries and Benefit Policies

Independent Audit Report Requirements

The Health and Safety Code requires the auditors for the local commissions, or the local commissions themselves², to submit an independent audit report to both the SCO and the First 5 California commission each year by November 1. The fiscal year ended June 30, 2008 was the second year that the 58 local First 5 county commissions were subject to the SCO expanded audit guidelines; the resulting audit reports were due by November 1, 2008.

² Submission deadline is based on two statutory codes, one requiring the submission and one specifying the deadline. Specifically:

- Health and Safety Code section 130151(c) requires that "the auditor for the state commission or the county commission shall submit each audit report, upon completion, simultaneously to both the Controller and to the state commission or applicable county commission."
- Health and Safety Code section 130150(a) requires that "... on or before November 1 of each year, each county commission shall submit its audit and report to the state commission. . . ."

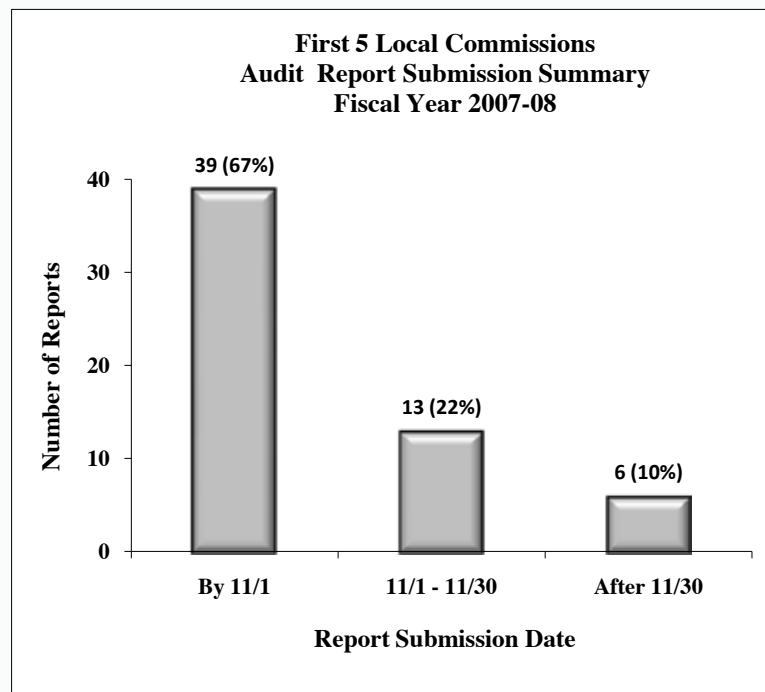
Results of Oversight Activities

Audit Report Submissions

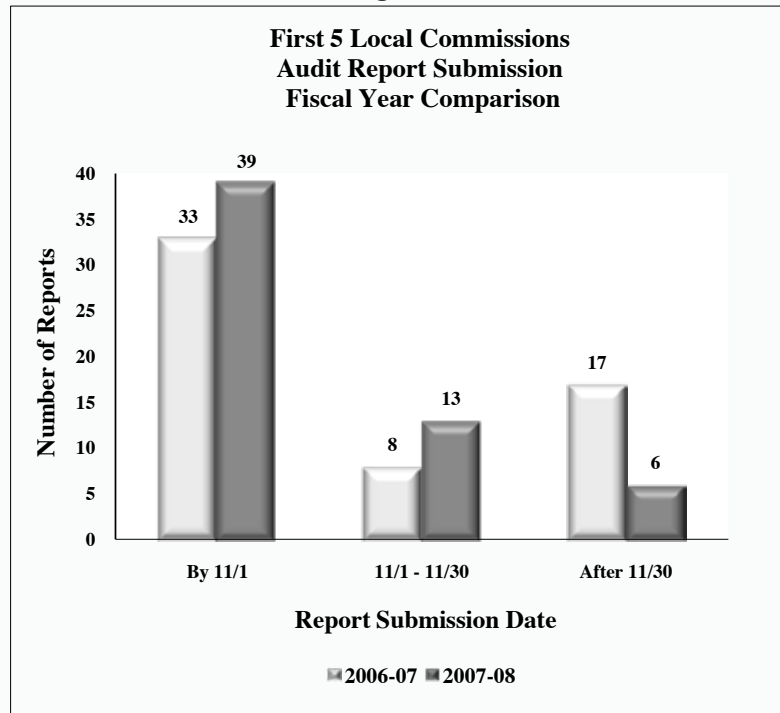
Audit reports for the preceding fiscal year must be filed with the SCO by November 1 of the current fiscal year. As noted in *Figure 1* for fiscal year 2007-08, 39 of 58 (67%) local commission audits were submitted by the required deadline. Another 13 (22%) were submitted within 30 days of the deadline, while the remaining six audit reports (10%) were submitted more than 30 days late. Local commissions provided a variety of reasons for reports that were submitted more than 30 days late, including:

- Reports mailed only to the State Commission;
- Reports mailed to the wrong SCO address;
- Auditors assuming that the local commission would mail the report to the SCO; and
- Local Commission was unable to/did not present the audit report to the governing commission for approval before the submission deadline.

Figure 1



Compared with the 2006-07 audit review cycle, there was an increase in audit reports submitted on time and within 30 days of the deadline for the fiscal year 2007-08 reporting cycle. In addition, there were fewer reports submitted more than 30 days late. See *Figure 2* for comparative data on report submissions.

Figure 2

Audit Review and Certification Process

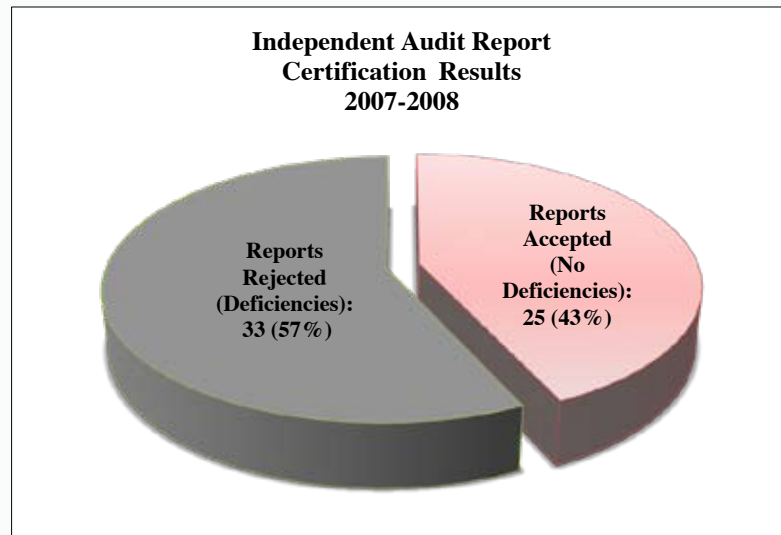
In accordance with Health and Safety Code section 130151, the SCO reviews and certifies the annual independent audit reports issued by the auditors for each local First 5 county commission (local commission) for compliance with applicable auditing standards and audit guidelines set out in the *Standards and Procedures for Audits of California Counties Participating in the First 5 California (Children and Families) Program* (audit guide).

To facilitate the consistent review and certification of each audit, the SCO created a comprehensive desk review checklist that details and categorizes the program requirements specified in the audit guide. The desk review checklist also includes the required components of an audit based on both audit standards generally accepted in the United States and government auditing standards.

Audit Report Deficiencies

Based on our desk reviews of the 2007-08 county commission audits, we found that 33 of the 58 independent audits (see *Figure 3*) contained a total of 75 deficiencies. SCO notified the independent auditor and local commission (with a rejection letter) that the audit report must be corrected before the SCO can certify it. The rejection letters included the identified deficiency and the criteria used to determine non-compliance.

Figure 3



The SCO noted 75 deficiencies in the 33 rejected reports, see *Figure 4*. The majority (31 occurrences or 41%) of the deficiencies identified related to omission of the required public disclosure wording for the distribution of the government audit standards (GAS) report required for financial audits. This wording, required by the audit guide (based on Health and Safety Code section 130150(d)), is different from the disclosure independent auditors are accustomed to using. Therefore, many of the auditors did not realize the need to modify the GAS report.

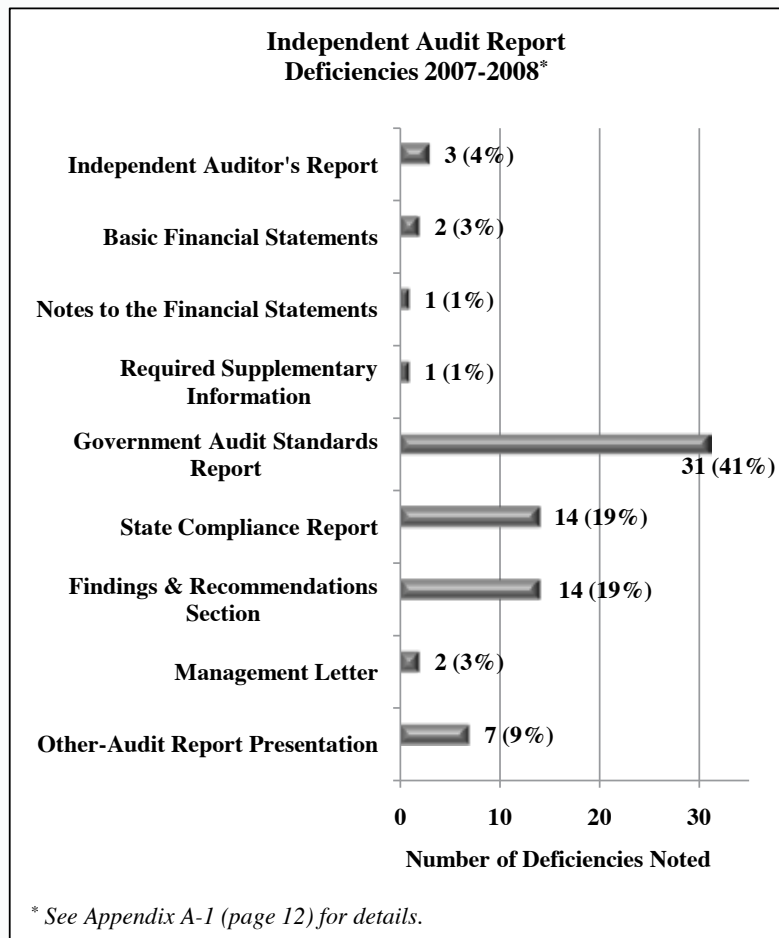
Notable Audit Report Deficiencies

The remaining deficiencies related to the state compliance report, the findings and recommendations section of the audit, and the audit report presentation. The most notable issues were:

- State compliance reports that were not in the required format, did not include the correct number of required procedures, and had required procedures that were changed to match procedures performed;
- Findings and recommendations sections that were deficient (missing elements of an audit finding, failure to include the commission's corrective action);

- Independent auditor's report did not contain adequate or complete reference to the GAS report, as required by auditing standards; and
- Audit reports submitted with components organized/presented in a format that was not consistent with Government Accounting Standards Board Statement 34; the Management Discussion and Analysis document was out of sequence or preceded the Independent Auditor's Opinion.

Figure 4

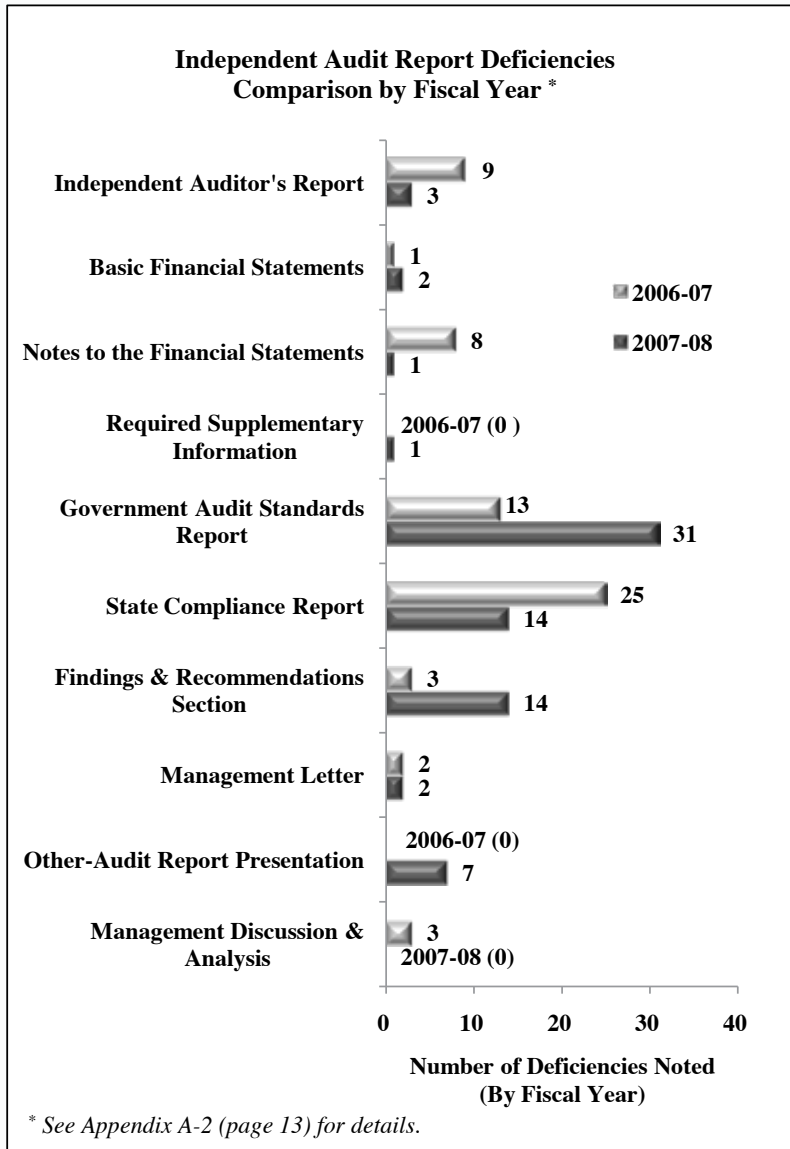


In comparison, *Figure 5* shows a breakdown of identified audit deficiencies for both the current and previous reporting periods. Although fewer audits had deficiencies in fiscal year 2007-08 (33 versus 42 in 2006-07), there was an increase in the total number of observed deficiencies (75 in 2007-08 compared with 64 in 2006-07).

The SCO issued an audit advisory to the local commissions and their auditors in September 2009, to assist them with preparing the fiscal year 2008-09 audit reports correctly.

Comparison of Audit Report Deficiencies by Fiscal Year

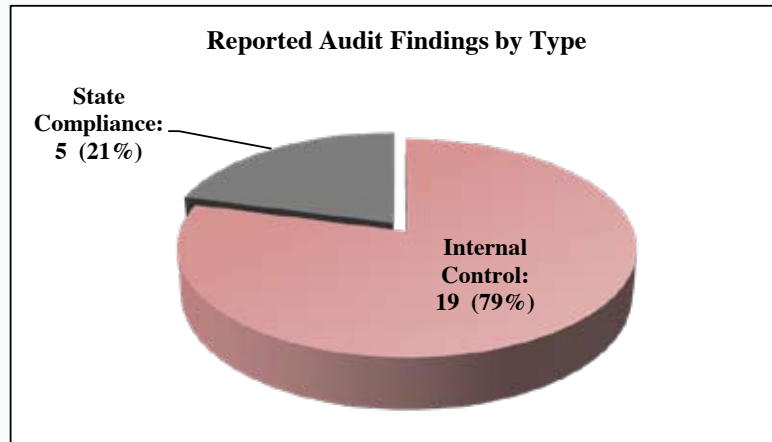
Figure 5



Findings Reported in the Independent Audits

Fourteen of the 58 audits contained a total of 24 audit findings (see *Figure 6*) categorized as either “internal control” or “state compliance.”

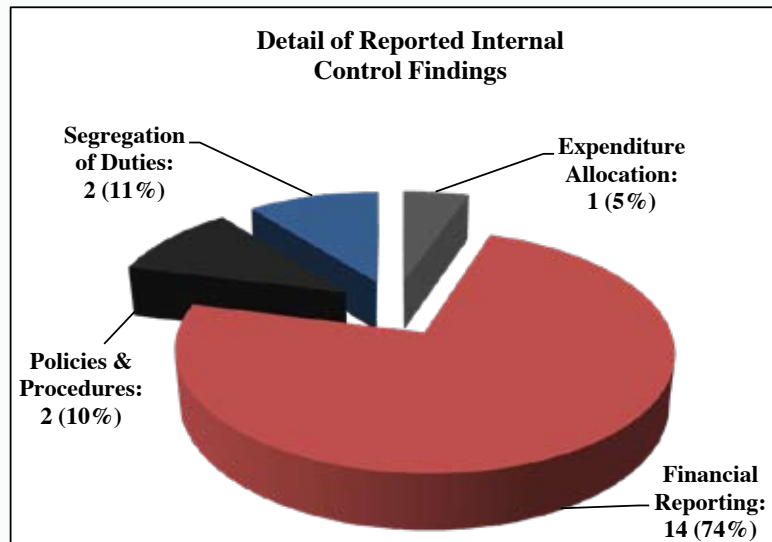
Figure 6



Breakdown of Reported Internal Control Findings

Four functional areas are represented in the 19 internal control findings reported for 2007-08, as summarized in *Figure 7*.

Figure 7



Notable observations related to the internal control findings include:

- Seven of the nineteen findings for fiscal year 2007-08 were carried forward as uncorrected (repeat findings).
- Nine of the fourteen financial reporting findings related to commissions relying on their auditors to draft financial statements and/or the accompanying notes. This must be reported as an internal control finding under recently issued auditing standards. Four of the nine local commissions with this issue assert that it is not cost

effective to hire additional personnel or contract for outside services to perform this function (smaller counties), while another indicated it was researching alternatives.

- Both commissions with “segregation of duties” findings assert that, because of limited resources, it is not cost effective to hire additional personnel or contract for outside services to resolve the issue. Instead, they appear to be investigating alternatives to mitigate the identified risk.

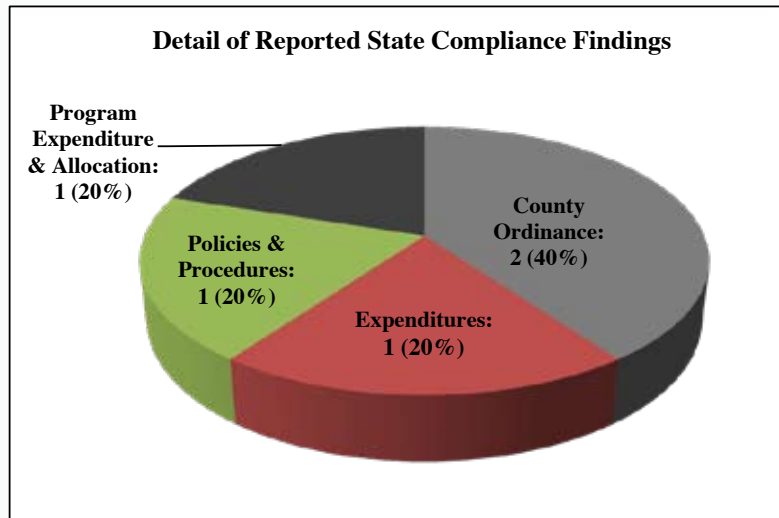
There were only 17 internal control findings reported for fiscal year 2006-07, but they were in ten functional areas compared with fiscal year 2007-08 (19 findings in four functional areas).

Breakdown of Reported State Compliance Findings

Four functional areas are represented in the five state compliance findings as summarized below and in *Figure 8*:

- Commission did not submit its fiscal year 2007-08 budget to the local board of supervisors for approval (County Ordinance);
- Commission did not submit amendment to its bylaws to board of supervisors for approval (County Ordinance);
- Commission did not have supporting documents for one of ten travel expense transactions tested (Expenditures);
- Three of five commission contractors tested did not submit their audit reports to the commission within 180 days of their fiscal year-end (Policies and Procedures); and
- Commission did not allocate program evaluation or adequately track program evaluation expenditures (Program Expenditure Allocation).

Figure 8



SCO Follow-up of Reported Audit Findings

In fiscal year 2006-07, there were 13 state compliance audit report findings in eight functional areas versus only five state compliance findings in four functional areas for fiscal year 2007-08.

In addition to our desk review of the county commission audits, we are required to follow up on findings reported in the local commission audits. Specifically, Health and Safety Code section 130151(e) requires:

Within six months of the state or county commission's response pursuant to subdivision (d), the Controller shall determine whether a county commission has successfully corrected its practices in response to the findings contained in the audit report. The Controller may, after that determination, recommend to the state commission to withhold the allocation of money that the county commission would otherwise receive from the California Children and Families Trust Fund until the Controller determines that the county commission has a viable plan and the ability to correct the practices identified in the audit.

The commissions, in accordance with Health and Safety Code section 130151(d) and *Government Auditing Standards* paragraph 5.32, are required to submit a response to findings in its audit report. Audit finding follow-up is accomplished in three ways.

1. SCO follow-up with the local commissions to ensure that they have adopted a corrective action plan and/or resolved any findings.
2. Review of the subsequent fiscal year financial and compliance audit. Audit standards require that the independent auditor or auditor-controller determine the status of previously reported audit findings.
3. On-site visits by SCO staff to local commissions with audit findings.

For the fiscal year 2007-08 audit review cycle, the SCO visited three of the fourteen local commissions whose audits contained findings. Our on-site visits resulted in a review of a total of five fiscal year 2007-08 findings, representing 21 percent of the total reported findings for all fourteen local commissions. The three local commissions we visited all provided corrective action plans and other documentation to show resolution of their 2007-08 audit findings. We also verified that two fiscal year 2006-07 findings were corrected.

Based on our desk reviews of commission/board meeting minutes and on-site follow up of audit findings, the SCO did not recommend withholding funding allocations for any commission for failure to correct (or provide a viable plan to correct) audit findings.

Public Discussion of Independent Audit Findings

The local commissions are required to discuss their audit findings in a public hearing. Specifically, Health and Safety Code section 130151(d) states, in part, that:

. . . each respective county commission shall schedule a public hearing within two months of receipt of the audit to discuss findings within the report and any response to the findings. Within two weeks of the public hearing, the state or county commission shall submit to the Controller a response to the audit findings.

Only three (21%) of fourteen local commissions whose independent audits contained findings submitted evidence to the SCO that they had adopted formal, written corrective action plans or resolutions to address their audit findings as required. Upon request, the remaining eleven submitted similar documentation (board/commission minutes, signed commission meeting agenda item documentation).

Appendix A-1

Summary of Audit Report Deficiencies (Fiscal Year 2007-08)

Description of Audit Report Deficiency	Number of Occurrences
<u>Independent Auditor's Report</u>	
The independent auditor's report reference to the separate report on compliance and on internal control over financial reporting did not contain all of the required elements.	3
<u>Basic Financial Statements</u>	
The basic financial statements included in the audit report were not prepared in accordance with accounting principles generally accepted in the United States.	2
<u>Notes to the Financial Statements</u>	
The Notes to the Financial Statements did not include a statement identifying the amount spent on program evaluation during the period being audited.	1
<u>Required Supplementary Information (RSI)</u>	
Schedule of budgetary comparison was missing required element (final version of legally adopted budget).	1
<u>The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (GAS)</u>	
The GAS Report was not in the correct format and not properly titled.	1
The GAS Report was not prepared in accordance American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No.112.	7
The GAS Report did not include disclosures and references required by government auditing standards.	3
The closing paragraph of the GAS Report did not include required distribution detail and public record disclosure.	20
	31
<u>Auditor's Report on State Compliance (State Compliance Report)</u>	
The state compliance report's reference to the required audit guide procedures was either incorrect or incomplete.	10
The closing paragraph of the state compliance report did not include required distribution detail and public record disclosure.	4
	14
<u>Findings and Recommendation Section</u>	
Finding did not contain all elements required by government audit standards.	7
Auditee's corrective action plan to rectify non-compliance was not included.	2
Schedule of Prior Audit Findings was omitted or incomplete.	5
	14
<u>Management Letter</u>	
Management letter referenced in audit report was not submitted with the audit report.	1
Audit report did not contain required reference to separately issued management letter.	1
	2

Appendix A-1 (continued)

Description of Audit Report Deficiency	Number of Occurrences	
<u>Other Audit Report Presentation Issues</u>		
Auditor’s opinions within the audit report were not signed and/or dated as required by auditing standards.	2	
Audit report presentation was not consistent with audit standards and government accounting standards.	<u>5</u>	<u>7</u>
Total		<u>75</u> ^a

^a Some of the 75 identified deficiencies were combined when reported to individual local commissions.

Appendix A-2

Summary of Audit Report Deficiencies Comparative Summary

Description of Audit Report Deficiency	Number of Occurrences	
	2006-07	2007-08
<u>Independent Auditor's Report</u>		
The audit report did not include an independent auditor's report on the financial statements.	1	0
The independent auditor's report did not reference the required supplementary information (RSI).	1	0
The independent auditor's report did not state that the auditor applied limited procedures to the RSI.	1	0
The independent auditor's report did not contain the required disclosures related to the separate report on compliance and on internal control over financial reporting.	1	3
The independent auditor's report did not identify the supplementary information accompanying the financial statements.	2	0
The independent auditor's report did not include an opinion on supplementary information in relation to the financial statements taken as a whole.	3	0
<u>Management's Discussion and Analysis</u>		
The Management's Discussion and Analysis was not included in the audit report.	3	0
<u>Basic Financial Statements</u>		
The audit report did not include basic financial statements prepared in accordance with accounting principles generally accepted in the United States.	1	2
<u>Notes to the Financial Statements</u>		
The audit report did not include notes to the financial statements.	1	0
The Notes to the Financial Statements does not include a statement identifying the amount spent on program evaluation during the period being audited.	7	1
<u>Required Supplementary Information</u>		
Schedule of budgetary comparison was missing required element or amounts were improperly labeled.	0	1
<u>Government Auditing Standards (GAS) Report</u>		
The <i>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</i> (GAS) was not included or was not in the correct format.	1	1
The GAS Report was not prepared in accordance American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No.112.	11	7
The GAS Report did not include the required assurances related to tests performed, and results of testing.	0	0
The GAS Report did not include disclosure and references required by government auditing standards.	1	3
The closing paragraph of the GAS Report did not include distribution and disclosure that the report is a matter of public record.	0	20

Appendix A-2 (continued)

Description of Audit Report Deficiency	Number of Occurrences	
	2006-07	2007-08
<u>Auditor's Report State Compliance (State Compliance Report)</u>		
The state compliance report was not included.	2	0
The state compliance report reference to the required audit guide procedures was either incorrect or incomplete.	23	10
The closing paragraph of the state compliance report did not include distribution and disclosure that the report is a matter of public record.	0	4
<u>Findings and Recommendation Section</u>		
The Schedule of Findings and Questioned Costs was not included.	1	0
Audit Findings did not include all elements required by government auditing standards.	1	7
Auditee's corrective action plan to correct non-compliance was not included.	1	2
Schedule of Prior Audit Findings was omitted or incomplete.	0	5
<u>Management Letter</u>		
Management letter referenced in audit report was not submitted with the audit report.	2	1
Audit report did not contain required reference to separately issued management letter.	0	1
<u>Other Audit Report Presentation Issues</u>		
Auditor's opinions within the audit report were not signed and/or dated as required by auditing standards.	0	2
Audit report presentation was not consistent with government accounting standards (GASB 34) or audit standards.	0	5
Total	<u>64</u>	<u>75</u>

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